TD/B/42(1)/19(Vol. II)

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UNITED NATIONS
CONFERENCE ON TRADE AND DEVELOPMENT

REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS FORTY-SECOND SESSION

held at the Palais des Nations, Geneva,
from 11 to 20 September 1995

Volume II

Summary of proceedings

UNITED NATIONS

Distr.
GENERAL

TD/B/42(1)/19 (Vol.II)
17 January 1996

Original: ENGLISH

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GE.96-50076 (E)

Preface

This volume (vol.II) of the report of the Trade and Development Board on the first part of its forty-second session contains the summaries of statements made during the session.

All other matters relating to the first part of the forty-second session of the Board are to be found in volume I of the report, entitled Report to the United Nations General Assembly*. These include action taken by the Board, statements of position in relation to that action, the procedural and institutional matters, and diverse annexes.

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* See TD/B/42(1)/19 (Vol.I).

CONTENTS

Chapter		Paragraphs
	INTRODUCTION	1 - 24
I.	INTERNATIONAL IMPLICATIONS OF MACROECONOMIC POLICIES AND ISSUES CONCERNING INTERDEPENDENCE: LINKAGES BETWEEN GLOBAL FINANCIAL AND TRADE FLOWS, DEVELOPMENT, AND LEVELS OF ECONOMIC ACTIVITY AND EMPLOYMENT, AND THE FUTURE IMPLICATIONS FOLLOWING THE URUGUAY ROUND (agenda item 2)	25 - 113
II.	SPECIFIC ACTION RELATED TO THE PARTICULAR NEEDS AND PROBLEMS OF LAND-LOCKED DEVELOPING COUNTRIES (agenda item 3)	114 - 136
III.	UNCTAD'S ASSISTANCE TO THE PALESTINIAN PEOPLE (agenda item 4)	137 - 176
IV.	PREPARATIONS FOR THE NINTH SESSION OF THE CONFERENCE (agenda item 5)	177 - 183
V.	OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT (agenda item 6)	184 - 192
	(a) Report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its twenty-eighth session	184 - 191
	(b) Progressive development of the law of international trade: twenty-eighth annual report of the United Nations Commission on International Trade Law	192

INTRODUCTION

1. Opening the first part of the forty-second session of the Trade and Development Board, the newly elected **President of the Board**, Mr. William Rossier of Switzerland, said that, at its current session, the Board would undoubtedly launch in earnest the preparatory process for UNCTAD IX. The session would significantly influence the policy dimensions and directions of UNCTAD and contribute towards providing the framework for the structures of the institution after the Conference. UNCTAD - like all the other major institutions of international economic cooperation - had been set up in a different world. Momentous changes had taken place since, and the worldwide acceptance of markets and private enterprise as main parameters for economic policy had forced a reassessment of international cooperation. UNCTAD had gone a long way towards adapting itself to this new context, especially since the Cartagena Conference in 1992. Because of its wide mandate, UNCTAD was called upon to deal with new issues as they arose and to assess how relevant they were for achieving its aims of promoting international trade and development. It was therefore of paramount importance that UNCTAD should remain open for reform and adaptable in its structure in order to be able to face up to the continuing challenge of change. It was also vital for UNCTAD to use its research and analytical capacity for fulfilling its functions as defined in Cartagena and reaffirmed by the General Assembly. UNCTAD's mandate for the comprehensive and integrated treatment of development and interrelated issues was also its comparative advantage: it gave the institution a unique breadth of vision. There was, however, another side to the coin: the broad mandate might tempt member States to burden UNCTAD with too many tasks. It was up to the member States to assume their responsibility and to decide on what they wanted the institution to do. UNCTAD could not do everything. If it is to attain its goals, a streamlining of its activities in the light of the new economic context might well prove necessary. UNCTAD's responsiveness and effectiveness did not depend only on its dedicated and motivated secretariat, but very much on the member States.

2. The period between UNCTAD VIII and UNCTAD IX had been marked by the conclusion of the Uruguay Round and the setting up of the World Trade Organization (WTO). The integration of the developing countries and economies in transition into the world trading system provided a new challenge for UNCTAD, which had an important role to play by helping these countries to reap the benefits of liberalized world trade. UNCTAD's reaction to the rapid development of communications technology was part of this effort, and was proof that the institution was able to move with the times. With its "trade efficiency" initiative it had developed a concept that should allow all member States to take advantage of the new opportunities arising from this technological revolution. Today the future of UNCTAD was again looking brighter and UNCTAD IX held out a promise of further advancing the development goals set out in the Charter of the United Nations: to contribute to higher standards of living, full employment, and conditions of economic and social progress and development.

3. Turning to the Trade and Development Report 1995, he observed that, as always, the Report was rich and stimulating and did not shy away from controversy. Studying in depth the problem of high unemployment in the developed countries, the Report firmly rejected the view that unemployment in the North was due to cheap imports from the developing countries. The conclusion was that there was no alternative to an open trading system and that the unemployment problem could certainly not be solved by resorting to new trade barriers. The Report furnished good arguments to policy makers in the North for resisting protectionist pressures to fight unemployment. It showed that, on the contrary, it was in their interest to pursue a policy allowing all countries to reap the benefits of trade liberalization and globalization. Although increasing the market share of developing countries in the developed countries might cause dislocations of labour in certain sectors, the rapidly rising exports of manufactures from the North to the South helped to create new jobs in other sectors. It was worth remembering in this context that the North had a considerable surplus on manufacturing trade with the South. The Report attributed unemployment to sluggish growth and the low level of investment in productive capacity. The economic policy it proposed in order to fight unemployment was no doubt controversial, as it advocated an investment-led economic growth in the developed countries and called for monetary and financial policies to lower capital costs, combined with a revision of fiscal policy.

4. The Report also pointed to financial instability as a major cause of low investment and slow growth in the world economy, and made policy proposals to deal with the problem. It elaborated on the specific requirements for adjustment in the countries that had been adversely affected by the sudden - and for many observers unexpected - reversal of capital flows to Latin America. The report argued - again, possibly controversially - that this experience demonstrated the need for governments to be prepared to control capital flows in order to reduce their vulnerability to sudden overflows and to avoid problems which such flows could pose for macroeconomic management. Likewise, the Report took the view that turmoil in derivatives markets and the sharp movements in the exchange rates of major currencies called for measures to ensure greater stability of financial and currency markets. The proposed measures included the strengthening of international financial supervision and the establishment of a strong legal and institutional framework for derivatives markets. This should protect the financial system from major crises. Moreover, the Report called for raising the cost of international financial transactions by taxing foreign-exchange trading in order to achieve greater exchange-rate stability.

5. The **Officer-in-charge of UNCTAD**, having recalled some of the growth indicators for major economies and regions given in the Trade and Development Report 1995, said that the fall in the rate of growth of output in the industrialized countries augured badly for the efforts to reduce the high level of unemployment which in many of these countries had come to be the paramount problem of economic policy. This situation had potentially threatening consequences for the developing countries, inasmuch as the notion was gaining ground in some quarters that unemployment was the result of the growth of imports of cheap, labour-intensive manufactures from developing

countries, and the solution proposed was the imposition of trade barriers. Such a response would defeat the efforts of developing countries to step up development through integration in the world economy. Furthermore, it bore the seeds of new trade conflicts, since it implied that unemployment in one country could only be reduced at the expense of its trading partners. In the view of the secretariat, this potentially dangerous policy prescription stemmed from an explanation of unemployment in OECD countries which was essentially flawed. The fact was that industrialized countries had consistently run trade surpluses in manufactured goods with developing countries, which created jobs at home. The argument had been put forward that manufacturing trade surpluses in industrialized countries did not necessarily exclude adverse effects on employment because exports from developing countries were more labour-intensive. The coincidence of falling employment and rising import penetration in sectors such as textiles and clothing would seem to confirm this view. However, in most cases, declines of these industries in the OECD countries predated the export success of developing countries. Moreover, in a number of developed countries, skilled unemployment had grown faster than unskilled unemployment since the second half of the 1980s. Trade, therefore, provided a superficial explanation for unemployment. It was true that changing patterns of international trade in the last 20 years had tended to reduce the demand for unskilled labour in OECD countries. But the same had happened in the 1950s and 1960s without mass unemployment. The secretariat's analysis showed that the main reason for this phenomenon today was the much lower level of growth and investment in the industrialized world, and that therefore the solution to the unemployment problem lay, in the main, not in interfering with trade, but in raising the tempo of investment and growth.

6. Over the past two decades, however, there had been a significant slow-down in capital formation in the industrialized countries, with the annual growth of fixed capital formation falling from about 6 per cent in 1960-1973 to less than 2.5 per cent in 1973-1990. Capital costs had been pushed up to historically high levels and financial deregulation had increased the volatility of key financial variables, such as interest rates and exchange rates. As a consequence, consumption, exports and imports had also become more unstable, and private investment had been discouraged by the resulting uncertainty about the evolution of aggregate demand.

7. To step up investment rates, a first need was to provide business with improved demand expectations. The fear that a faster pace of demand expansion could raise inflation appeared unjustified under current conditions; today, greater slack and flexibility in labour markets combined with increased global competition had greatly reduced the ability of business and unions to translate increased demand for goods and labour into higher prices and wages. Secondly, potential investors should be provided with lower capital costs and a more stable financial environment. Monetary policy should aim at establishing low and stable interest rates, and stable exchange rates. The latter objective would call for currency market interventions as well as possibly measures to increase the cost of currency speculation. Furthermore, increased public sector investment in infrastructure was also essential for

job creation in some countries. The problem here was that, currently, public expenditure decisions were largely constrained by budget deficits which, in turn, were the result of interest payments on the public debt. A precondition for enabling Governments to use fiscal policy as a tool of demand management was, therefore, to tackle the high stock of public debt in innovative ways.

8. It should be kept in mind, however, that if a single country embarked on policies designed to expand demand and investment, this might have adverse consequences for its balance of payments. If the country was open to international trade, a considerable portion of the demand expansion would leak abroad unless its trading partners are pursuing similar policies. In order to avoid competitive devaluation and to ensure low and stable interest rates, policies to increase employment needed to be internationally coordinated.

9. The Latin American region offered a good example of how financial instability could have an adverse effect on the performance of developing countries. The inflows of the recent years to several countries in the region had frequently had no sound basis but consisted of massive but one-off receipts from privatization and of liquid short-term capital attracted by high interest rates and real currency appreciation. The reversal of capital flows had now triggered a severe recession in Mexico and had indirectly also affected other countries in Latin America, which were - once again - forced into severe adjustment, including large import cuts with negative repercussions on the exports of developed countries. Establishing a basis for sustained growth in developing countries requires that policy reforms succeed in improving competitiveness, raising the rate of private investment, in particular the rate of reinvestment of profits, and increasing infrastructure investment. The introduction of capital controls to avoid speculative short-term flows unrelated to trade and investment could be an important tool for ensuring a more stable macroeconomic environment. While the development of financial markets in developing countries was essential for allocating resources efficiently, it was necessary to make sure that new markets would not be dominated by speculation that posed a threat to the entire financial sector. The experience of several countries in Asia, which had succeeded in penetrating world markets, utilizing external savings and regulating their financial systems, was highly relevant here. At their Halifax Summit the G-7 countries, concerned with systemic risks, had called for a strengthening of international cooperation in financial supervision to safeguard the financial system and to prevent an erosion of prudential standards. Moreover, the IMF had recently endorsed temporary controls by developing countries on international short-term capital flows during times of surges of inflows. These were signs that the new thinking on international financial policies which the UNCTAD secretariat has been advocating for some time might be gaining ground.

10. Turning to preparations for UNCTAD IX, he recalled that, at the Consultations of the Officer-in-charge held on 13 July 1995, His Excellency the Ambassador of South Africa had announced that, in principle, his Government would be willing to host the Conference in the first half of 1996. In keeping with past practice, an informal open-ended Organizational Committee for UNCTAD IX had been set up with a view to preparing a formal decision for

adoption by the Board and submission to the General Assembly. This Committee had been able to make proposals regarding organizational aspects of the Conference, namely its venue, timing and structure. Further discussions were needed on the issue of how formal and informal intergovernmental deliberations would be organized in the period preceding the Conference. The objective of these pre-Conference deliberations would be to build consensus around the main elements of the possible outcome of the Conference, notably in terms of actions and policy measures. As for the substantive aspects of the preparatory process for the Conference, he stated that the preparation of the secretariat documentation was well under way. The main document for the Conference would be the report of the Secretary-General of UNCTAD, containing policy and action proposals, backed by broad policy analysis. Where necessary, the report would be supplemented by short technical papers on specific issues. The report was expected to be made available to Governments shortly before the end of 1995.

11. With reference to developments in connection with land-locked developing countries, he recalled that the General Assembly had called for regular intergovernmental consultations between land-locked and transit developing countries and their development partners designed to strengthen cooperative arrangements to improve transit transport systems. The last intergovernmental consultations, held in New York in June 1995, had adopted a Global Framework for Transit Transport Cooperation. The Framework invited Governments of land-locked and transit countries to support a more open, market-oriented and liberal policy in the transit transport sector which should promote an environment for fair competition in providing transit services and help establish a greater scope for private-sector involvement. The donor community was called upon to continue to provide the required resources for the rehabilitation and maintenance of transit transport facilities and also to assist the Governments concerned in their efforts to formulate and implement effectively the necessary policy and operational reforms that would support the commercialization programme in the transit transport sector.

12. In connection with UNCTAD's assistance to the Palestinian people, the UNCTAD secretariat had increasingly focused attention on activities aimed at providing concrete technical support to the efforts of the nascent Palestinian Authority in spheres where UNCTAD had established operational capacities. An integrated programme of technical cooperation activities had been formulated, which was finalized by the secretariat following consultations with the Palestinian Authority. The implementation of this programme would require contributions from both bilateral and multilateral sources. The deliberations of the Board on this item and the support of member countries for this programme would enable UNCTAD to join the international community in efforts over the coming years for the revival and reconstruction of the Palestinian economy.

13. The spokeswoman for the **Group of 77 and China** (Colombia) observed that there were signs of improvement in the economic situation of some developing countries. Nevertheless, increased utilization of substitutes for primary commodity inputs, including more efficient recovery of scrap metals in the developed countries further contributed to the decline in commodity prices

from developing countries. The growth rate in least developed countries had fallen and the declining official development assistance (ODA), was a matter of concern for developing countries particularly for the LDCs. At the same time, population in developing countries had grown faster. Severe poverty continued to exist in many parts of the world, especially in the LDCs. Serious progress in poverty alleviation in developing countries required rapid and sustained economic growth. As a result of the Uruguay Round Agreement, developing countries had lost some of the special and differential treatment that they had enjoyed in the area of trade. There was a changing attitude in several developed countries towards foreign assistance programmes. The impact of all these factors on the developing countries demanded more immediate attention and thoughtful analysis.

14. As pointed out in the Trade and Development Report 1995, unemployment had become a veritable scourge in the developed countries. The 34 million people out of work in 1994 represented a formidable challenge for policy makers. The Report showed that it was too simplistic and dangerous to blame the liberalization of trade and investment for the problem of rising unemployment and falling real wages for certain groups of the labour force. The cause was, rather, to be found in the slow pace of growth of output and investment in the developed countries themselves. Increasing manufactured imports from developing countries had provoked calls for the imposition of higher labour standards in the developing world or other barriers to imports. Such neo-mercantilist approaches ran counter to the letter and the spirit of the Uruguay Round, and prevented globalization and liberalization from yielding their benefits. In particular, they were a threat to the developing countries, since their outward-oriented development strategies could only succeed if the markets of the developed countries were sufficiently open to accommodate the increasing imports of manufactures from developing countries.

15. The developing countries themselves had made huge efforts in liberalizing their external trade. As the TDR showed, their manufacturing imports contributed significantly to employment creation in the developed countries. But the size of these imports was determined by their export earnings and the availability of external finance, and fluctuations in these variables had implications for employment in the developed countries. Falling exports to the developing countries during the 1980s had been much more important for the reduction in the developed countries' surplus in trade with manufactures than the increasing imports from the South. Imposing new trade barriers, including linking higher labour standards to trade, would be counterproductive: instead of solving the twin problems of unemployment and badly paid jobs of unskilled workers in the developed countries, it would cause their import prices to rise and the real wages of unskilled workers to fall. At the same time it would lead to higher unemployment in the developing countries where higher labour costs would reduce employment, output and export earnings. Solutions to unemployment in the developed countries would also be stimulated by an increase in the demand for developing countries' exports to the developed countries, stability and improvement in the export prices of goods and services from developing countries and in an increase on development assistance. The rationale for improving labour standards in the developing countries lay in protecting workers in these countries, not in saving jobs in

the developed countries. What was rather needed was a coordinated policy effort to boost demand and raise investment in the developed countries. The developing countries could contribute via increasing purchasing power, rising earnings from exports of manufactures, better prices for primary commodities and sufficient access to external finance.

16. It would be unrealistic to expect the international trading system to evolve in the right direction, notwithstanding the Uruguay Round, unless the twin problems of unemployment and low wages in the developed market economies were tackled by increasing the prosperity of all. It was to be hoped that the international cooperation needed to obtain such an outcome would be forthcoming despite the end of the Cold War - and that international behaviour would not revert to the pattern of competition and conflict characteristic of the 1930s. The Uruguay Round agreements should lead to an open and rule-based trading system. The developed countries must resist the pressures to erect new barriers to limit the market access provided to the developing countries under Uruguay Round Agreements. Equally important are the monitoring to see that the Agreements were implemented in letter as well as in spirit. At the same time, the specific Marrakesh Ministerial Decision for assisting the LDCs now needed to be articulated and implemented expeditiously.

17. The Paris Club took a significant step forward in adopting the new Naples terms, but the results fall short of expectations and the implementation of these terms had been rather hesitant. The eligibility criteria had unduly restricted the number of countries benefiting from most favoured treatment. Furthermore, the budgetary, legal or policy restrictions on debt reduction faced by some creditors risked preventing the much needed reduction of stock of external debts from becoming a reality. Besides, the scope of debt eligible for reduction had been narrowed considerably. While the Naples terms might significantly reduce the debt service ratio for a number of low-income countries, the ratio for many poorer countries would remain too high.

18. The debt of highly indebted low-income countries to the multilateral financing institutions warranted serious attention. Although these institutions had already taken some steps to provide relief, the measures taken had not been sufficient to resolve the problem of arrears and to prevent the multilateral debt service burden in a number of countries from increasing at a dangerous pace. Current schemes needed to be further improved, for example by allowing interest payments on arrears and current debt service obligations to be suspended. But, this would still not suffice as long as the problem of funding was not solved. A number of constructive proposals had been made recently with a view to providing additional multilateral debt relief without diverting development assistance from other uses or increasing the pressure on bilateral donors. These were the sale of a portion of IMF gold reserves; a new SDR allocation, the sale of which would partly aim at alleviating multilateral debt; and drawing on the reserves and loan-loss provisions of multilateral financial institutions. One of the major concerns of developing countries was volatility in the international financial markets. The capacity of developing countries to control capital movements, to manage the exchange rate and to conduct monetary and fiscal policies which were

immune from the volatility of the international financial markets should be strengthened. Such proposals deserved urgent and sympathetic consideration, and the UNCTAD secretariat should provide analytical studies as to their viability.

19. Regarding the agenda item on specific actions on behalf of land-locked developing countries, the Group of 77 and China considered that the principles of mutual benefit and non-interference in the autonomy of the States should be the basis of any framework for land-locked and transit developing countries. It should be recognized that it was basically a question of providing adequate infrastructure for the movement of transit goods. The donor countries and institutions should assist in building/maintaining the needed infrastructure in the developing land-locked and transit developing countries. Global Framework for Transit Transport Cooperation between Land-locked and Transit Developing Countries and the Donor Community (adopted in New York in June 1995), the Group of 77 and China endorsed the recommendations set out in this Framework, which constituted a comprehensive set of actions and modalities for promoting a cost-effective and self-sustainable transit transport system. A key approach underscored in this Framework was the recommendation to Governments of land-locked and transit developing countries to make concerted efforts to establish a liberal regime that permitted free competition in the provision of transit transport services and encouraged a wider role of the private sector in the transit transport industry. This would lead to significant improvements in the quality of transit services to the customer at reduced cost. The Group of 77 and China also endorsed the follow-up mechanisms proposed in the above Framework, which called for a more active monitoring role by UNCTAD and the regional economic commissions in the implementation of the agreed cooperative actions, as well as strengthened support by the donor community.

20. The Group of 77 and China noted with appreciation the secretariat's report on developments affecting the Palestinian economy, its analysis of the growing significance of the role of private investment and of prospects for sustained development of the economy as well as identification of needs for assistance by the international community. In particular, she commended the secretariat for its initiative in preparing an integrated and comprehensive programme of technical cooperation activities in support of Palestinian trade, finance and related services. The areas covered by the programme, indeed, reflected UNCTAD's established competence and capacity for operational activities. The Group of 77 urged States members of UNCTAD, and especially the donor community, to extend their moral and material support for the implementation of the programme in the time frame envisaged.

21. Turning to the preparatory process for UNCTAD IX, she stated that, following the approval of the provisional agenda for UNCTAD IX at the second part of the forty-first session of the Board, the Group of 77 and China had proceeded with substantive preparations for UNCTAD IX and, with the announcement concerning the hosting of UNCTAD IX, the Group of 77 had intensified its preparatory activities. Work under the three Chairpersons of the Working Groups of the Preparatory Committee of the Group of 77 had

significantly advanced. While the Conference would assess the work completed by UNCTAD since its eighth session, as well as the institutional reforms adopted at that session, it would also consider the future work of UNCTAD, including its relationship with other international institutions. On the basis of UNCTAD's mandate, and with a view to strengthening the United Nations system, the Conference should enable UNCTAD to become a more effective instrument for promoting development and the full integration of the developing countries, in particular the least developed countries, into the world economy and the international trading system. UNCTAD had been and should remain a counter-balancing force - a force that ensures bold and innovative plurality of thinking at a time when this thinking was in danger of being increasingly dominated by the Bretton Woods institutions. Any attempt to reduce this role should be resisted. The Group of 77 and China strongly believed that UNCTAD as an institution was now empowered to exercise its development mandate fully, particularly in the light of the globalization of the international economy and the deepening economic interdependence of States and its implications for the developing countries. Her Group remained committed to UNCTAD as an institution that had attained greater relevance as a result of the creation of the WTO, which has reinforced the need for a policy-oriented trade forum with a strong development perspective.

22. The representative of **Spain**, speaking on behalf of the **European Union**, said that the forty-second session of the Board was taking place at a time when a number of events of the utmost significance for development were already occurring or are about to do so, inter alia the preparations for UNCTAD IX and the mid-term review of the Programme of Action for the Least Developed Countries in the 1990s. The European Union had already indicated on other occasions the importance it attached to the ninth session of the Conference, which would enable UNCTAD to define the role it should play in future. UNCTAD IX should also make clear the form of UNCTAD's contribution to the task of development in the areas for which it was responsible, i.e. promoting trade as an instrument for development. The Cartagena Conference had undoubtedly provided UNCTAD with new impetus. The spirit of Cartagena which had guided UNCTAD's work for nearly four years should help delegations to adapt UNCTAD to the new challenges which it now faced. Globalization and liberalization of trade, as well as the creation of WTO, gave UNCTAD the opportunity to set new priorities in its work, stressing the development dimension. The European Union believed that UNCTAD must consider the need to establish an institutional structure which would be flexible and efficient and, while preserving the ideas already formulated in Cartagena, would enhance efforts to promote development through trade, collaboration and association between the member States of the Conference and good national and international management. Account must be taken of the special needs of those countries, particularly the LDCs, which had further to go along the road to development and one must not lose sight of the need to respect human rights and the principles of democracy and good governance. The European Union welcomed the work begun in preparation for holding the ninth session of the Conference in South Africa. The Union wished to thank, once again, the

Government of South Africa for its generous offer to host the Conference. The European Union member States were ready to offer their full cooperation in the preparatory process.

23. Referring to the forthcoming High-level Meeting in New York to carry out the mid-term review of the Programme of Action for the Least Developed Countries in the 1990s, he said that the situation of the least developed countries was perhaps at present the issue of most concern to UNCTAD and its members. The European Union looked forward to a constructive debate in New York and would cooperate with its partners to arrive at a positive outcome in order to help the LDCs in their efforts to achieve development.

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24. At its 862nd (opening) plenary meeting, on 11 September 1995, the Trade and Development Board paid tribute to the memory of Mr. Shahen Abrahamian, a prominent staff member of the UNCTAD secretariat and Officer-in-charge of the Global Interdependence Division, who died on 20 August 1995. Statements of homage to Mr. Abrahamian were made by H.E. Mr. William Rossier of Switzerland, President of the Board, and by the Officer-in-charge of UNCTAD, the spokeswoman for the Group of 77 and China, and the spokesman for the European Union. The Board decided to dedicate the Trade and Development Report 1995 to the memory of Mr. Abrahamian. The Board also conveyed through the President its condolences to Mr. Abrahamian's wife and two children.

Chapter I

INTERNATIONAL IMPLICATIONS OF MACROECONOMIC POLICIES AND ISSUES CONCERNING INTERDEPENDENCE: LINKAGES BETWEEN GLOBAL FINANCIAL AND TRADE FLOWS, DEVELOPMENT, AND LEVELS OF ECONOMIC ACTIVITY AND EMPLOYMENT, AND THE FUTURE IMPLICATIONS FOLLOWING THE URUGUAY ROUND

(Agenda item 2)

25. For its consideration of this agenda item, the Board had before it the following documentation:

Trade and Development Report, 1995
(UNCTAD/TDR/15) (UN Sales No. E.95.II.D.16)

Trade and Development Report, 1995 - Overview
(UNCTAD/TDR/15 (Overview))

26. The representative of **Algeria** said that the internationalization of the world economy and growing interdependence were capable of contributing to the growth and development process, but they were also a source of possible instability and of marginalization of developing countries. It was therefore important to redefine the concept of development, and to encourage international economic integration to neutralize these risks. Algeria, for its part, had embarked on a programme of economic liberalization. For instance, it had adopted a new law on foreign investment and taken steps to privatize its economy. The private sector now constituted 35 per cent of GDP, and the proportion was increasing rapidly.

27. He commended the relevance of the topics addressed in the Trade and Development Report 1995. The subject of unemployment was a major problem for both developing and developed countries. In the North, the rise in unemployment had encouraged dangerous protectionist reflexes against increased imports from the South. Algeria considered external debt to be a major hindrance to the economic development of many countries, especially at a time when bilateral and multilateral transfers of funds were declining. Furthermore, the alarmingly unequal distribution of foreign direct investment, especially in regard to Africa, was a subject which should be addressed by the international community.

28. In conclusion, he stressed the continuing vital importance of UNCTAD during the post-Uruguay-Round period. In this context, he saw a crucial need for cooperation between UNCTAD and WTO.

29. The representative of **Bangladesh** noted that global economic growth had been 3.1 per cent in 1994 but that IMF had downgraded its growth forecast somewhat for 1995. However, there had not been any real improvement in the economic situation of LDCs as a group, with estimated overall growth of 1.4 per cent and declining real output in Africa in 1994. He drew special attention to the importance for developing countries of understanding whether

they were in a position to take advantage of the opportunities resulting from the Uruguay Round Agreements which had given an impetus to liberalization and globalization worldwide.

30. While rising unemployment in OECD countries had often been used to justify lower support for developing countries, by OECD standards most labour in the South was underemployed, and there was great unemployment. Increased assistance to developing countries, further debt relief and stable commodity prices would generate employment by expanding demand for Northern exports. Debt stocks and debt-servicing obligations remained exceptionally high for many developing countries, and multilateral debt had increased considerably as a share of the total in recent years. For least developed countries, debt relief initiatives had so far proved inadequate and further measures were needed. After the cold war it had been expected that reduced military expenditure would make possible larger aid allocations, but this had not happened. Resources were being diverted to peace-keeping operations, and new aid claimants and aid fatigue were widespread.

31. UNCTAD had made a significant contribution to cooperation and development. Its role of addressing trade principles and policies should not be overlooked despite the creation of WTO, which would implement multilaterally agreed trade rules. There should be close cooperation and complementarity between UNCTAD and WTO, and strong institutional and financial support for UNCTAD. UNCTAD IX should give priority to the concerns of least developed countries, taking into account the outcome of the Mid-term Global Review of the Implementation of the Programme of Action for Least Developed Countries for the 1990s.

32. Finally, he said that Bangladesh had had success in establishing macroeconomic stability, and had undertaken an extensive programme of liberalization, privatization and legal reform. Development priorities had shifted decisively from physical infrastructure to human-resource development and poverty alleviation. Despite efforts to create an enabling environment, the rate of investment was unsatisfactory, and Bangladesh looked forward to the support of the international community.

33. The spokesman for the **Latin American and Caribbean Group** (Brazil) said that the Trade and Development Report contributed significantly to the current debate on development and the process of globalization and liberalization, which were central themes of the agenda for UNCTAD IX. He noted the Report's critical evaluation of certain aspects of neoclassical thinking and of the policies of international financial institutions. He drew special attention to its discussion of financial markets and external debt with its emphasis on financial flows to Latin America. With regard to the latter, their extreme volatility, together with fluctuations in exchange rates, had had a negative impact on the region. While the reactions of the countries concerned and of the international community had contained the destabilizing effects of these speculative capital movements, it remained urgent to examine ways to control destabilizing financial flows. External debt continued to be a problem, especially for least developed countries.

34. One major challenge was the continuing growth of unemployment in the developed world even when economies and international trade were expanding. Simplistic explanations attributed this to imports from developing countries and the shift of industrial production to these countries. Rejecting such conclusions, the Report pointed instead to the sluggishness of demand, production and investment in the industrialized world, and emphasized the dangers of protectionism for the developed countries themselves. The need was for coordinated actions at the international level to ensure stable growth of demand and investment. Finally, he suggested that in future the Report should pay greater attention to the integration processes at work in regions such as in Latin America and the Caribbean, to the globalization of production processes, and to the difficulties of developing countries to adapt themselves to the latter.

35. The representative of **Hungary** said that there were no universally applicable measures to strike the right balance between growth and macroeconomic equilibrium. In Hungary, growth had accelerated in 1993-1994, but this had been accompanied by a serious deterioration in external and internal balances. In order to reduce both the central government budget deficit and the balance-of-payments deficit, strict measures had recently been introduced, including a devaluation of the Forint, the imposition of an import surcharge and cuts in public spending. As a result, exports had increased considerably during the first seven months of 1995, and the tendency for imports to expand much faster than exports had been broken. The reduction of the budget deficit would also be helped by an increase of revenues from privatization, which was expected to gain momentum. Foreign direct investment, in the form of both greenfield investment and increases in the capacity of existing facilities, continued to be high, providing a good basis for future technological development and exports. Inflation had accelerated as a consequence of the recent measures, but was expected to fall in 1996. Further incentives for growth were also envisaged, while the planned budget deficit was below 4 per cent of GDP and the role of the State in the redistribution of GDP would be reduced further. Moreover, the draft of the Foreign Exchange Act provided for the convertibility of the Forint, as defined under Article VIII of the IMF's Articles of Agreement.

36. Finally, he said that unemployment was also a serious problem in Hungary. The transformation process, the loss of traditional markets, lower than expected demand in Hungary's major export markets, and limitations on market access all contributed to the high level of unemployment. However, restrictive trade measures should not be applied in response to the challenge of unemployment.

37. The representative of **Japan** said that the Trade and Development Report 1995 provided an adequate analysis of the current state of the world economy and raised important questions for which solutions must be found. Focusing on the issue of unemployment, he said that the advanced countries should make efforts to adjust their economies to the world economic environment, which was increasingly liberalized and globalized, rather than rely on protectionist measures. He commended the Report for pointing to the dangers of neo-mercantilist policies as well as for its attempts to provide specific proposals for increasing world economic growth. International cooperation was necessary in support of appropriate macroeconomic policies in

order to stabilize exchange and interest rates, so as to facilitate the operations of enterprises and individuals. The Report was also right to emphasise that individual countries should endeavour to reduce government deficits in order to reactivate fiscal policy in the longer run. In addition to stable macroeconomic policies, there was a continuing need for efforts to alleviate the structural rigidities of the labour and goods markets as the basis for long-term economic growth.

38. In the face of current difficulties regarding increases in spending, governments should seek to replace passive policies such as those on social welfare policy with, firstly, the exploitation of new business opportunities through R & D and investment, secondly, the development of skilled labour and, thirdly, positive policies for labour markets. The Japanese Government, in response to the rapidly changing environment, had taken various policy measures such as further market liberalization, improvements in the efficiency of the financial sector, the creation of infrastructure for the new environment, and support for labour mobility.

39. The representative of **Belarus** stressed the importance of the internationalization of national economies. More dynamic growth of world trade in comparison with world production contributed to the increasing interdependence of countries. Deepening of internationalization demanded unified approaches to the regulation of this process primarily on a multilateral basis through the unification of international legal norms and qualitative improvements in the management of international economic relations.

40. As part of its complex and radical reforms, Belarus was interested in developing multilateral cooperation and in full participation in the regulation of the multilateral trade system under the aegis of WTO. The success of reforms was dependent on the pace of Belarus's integration into the world economic system. Currently Belarus was passing through a period of crisis related to its transition from the centrally-planned system to that of the market economy, and to the ending of its traditional trade links with the countries of the former USSR and of Eastern Europe. International obligations in the field of disarmament were a further burden for his country's economy. Great attention had had to be paid to measures to deal with the consequences of the accident at the Chernobyl atomic station. These accounted for 18 per cent of the Government's budget. The Government's programme designed to overcome the crisis included the use of resource-and-energy-saving technologies, reforming tax law, and cuts in subsidies to transport and housing. Demonopolization of the economy through privatization was also emphasized, and steps such as liberalization of foreign trade and prices and changes in the law designed to attract foreign investment had also been undertaken. A law on land-property rights had been submitted to parliament. These economic policies were supported by IMF.

41. In conclusion he pointed to the importance for Belarus of accession to WTO and of larger access to foreign markets, which would be adversely affected by any discrimination, including that in the form of unjustified anti-dumping measures.

42. The representative of **China** noted that, while the global economic improvement which had begun in 1994 had now lost part of its momentum, developing countries as a group had maintained their growth in spite of dire conditions in Africa and the least developed countries. International trade in 1994 had continued to grow faster than global production, with a significant contribution from developing countries, whose imports accounted for 42 per cent of United States exports, 47 per cent of those of Western Europe, and 48 per cent of those of Japan. The conclusion and implementation of the Uruguay Round Agreements could be expected to facilitate further opening of the world market. The Agreements, however, did not fully reflect the interests and needs of developing countries in the areas in which they enjoyed a comparative advantage. He therefore called on developed countries to adopt measures in favour of the developing countries in the implementation of the Agreements.

43. The dynamic expansion of the international capital market in recent years had provided urgently needed capital for development projects in developing countries. However, it had also brought greater risk and uncertainty to those economies. The financial crisis in Mexico and the bankruptcy of Barings Bank made it a matter of urgency to strengthen the international management of capital flows.

44. Raising the level of employment was a key issue not only for developed but also for developing countries and had constituted one of the three major themes of the United Nations Summit on Social Development. Developed countries should pursue policies with longer-term objectives of readjusting economic and industrial structures and promoting competitivity, rather than adopt unilateral trade protectionism and restrictive measures against the exports of developing countries, which were in contradiction with the letter and spirit of the Uruguay Round Agreements. With increasing interdependence of the world economy as a result of the rapid development of modern technology and the continued expansion of trade and capital flows, there was more than ever a need for greater international cooperation, including the coordination of macroeconomic policies.

45. The representative of **Poland** stated that the information and assessment concerning Central and Eastern Europe in the Trade and Development Report were correct and the analysis was highly professional, particularly on the complex process of transformation. The growth of the world economy and the liberalization of trade as well as progress regarding regional integration in Europe were of particular importance to his country. The process of integrating Poland (which was at a difficult phase of its transformation) into the global economic system had generated both opportunities for, and threats to, its competitiveness.

46. The 1990s might be described as a period of accelerated globalization of financial flows, through foreign direct investment, portfolio investment (particularly "hot money"), and private credits and loans. In comparison to trade flows, financial flows were larger, faster, more precarious, and more uneven in their sectoral and geographical dispersion. Globalization and integration of financial flows were responding to at least three factors: firstly, an extremely rapid development of communication technologies; secondly, the process of deregulation of financial markets; and, thirdly,

innovations in financial instruments. These factors had brought three types of opportunity to the Polish economy: firstly, new and ample sources of financing; secondly, access to them at more competitive and advantageous rates; and, thirdly, through the investment projects financed, the rapid and efficient introduction of new technologies as well as accelerated production and exports.

47. On the other hand, threats emerging from growing macroeconomic interdependence and global linkages included a deep and sustained dependence on those who controlled external financial resources, including transnational corporations. Such dependence could constrain the freedom of government policy in shaping and structuring foreign trade, pricing, and distribution channels. A second threat was the impact of inflows of capital of unknown or illegal origin, and a third was the threat to economic stability which might result from a rapid outflow of foreign money.

48. In order to meet these opportunities and challenges effectively, government strategy should be targeted at the following: firstly, assuring balanced growth hand-in-hand with international competitiveness; secondly, a long-term policy of job creation which included consideration of the requirements of social policy and an increase in the professional qualifications and skills of the labour force as well as the alleviation of regional disparities; and, thirdly, adaptation of the national economy to the new trade environment after the Uruguay Round.

49. The representative of **Mexico** said that the Trade and Development Report 1995 drew a much more pessimistic picture of the world economy than did the reports of other international organizations. The recent financial difficulties of Mexico could not be attributed to a single cause, but had been the result of various factors such as the increase of the current-account deficit financed by volatile capital inflows, the appreciation of the exchange rate, the financing of long-term projects with short-term instruments, a slow response on the part of financial policy, and unforeseeable political events. The most important underlying factor had been the decline in the level of national savings and the weakness of productive investment in recent years. As a result, the economy had become vulnerable to changes in short-term capital flows.

50. The Mexican adjustment programme aimed at restoring financial and currency stability, correcting the current account imbalances, and keeping inflation under control. The programme included drastic measures to strengthen public finances, and a financial strategy to compensate for the loss of short-term capital. The programme had generated positive results in a relatively short period of time, and the return of foreign direct investment to Mexico. This indicated that the crisis was only temporary: a recovery could be expected in 1996.

51. He said that the financial package provided to Mexico had been used entirely for the retirement of short-term debt and for augmenting the country's foreign exchange reserves. The exchange rate had appreciated in the past six months, and the interbank rate had fallen considerably. Inflation had also been brought down recently. Moreover, the current-account deficit had been turned into a surplus, thanks to a considerable increase in exports

of manufactures. The strategy for achieving higher and sustainable growth also included measures to strengthen private and public investment, as well as a deregulation of industry. In order for growth to have a solid base in the future, national savings and investment had to be raised.

52. He recalled that the members of the Group of Rio had recently underlined the need for measures to strengthen the confidence of the financial market in order to attract new external financial resources and to prevent the risk of volatility. They have signalled, however, that external savings should only complement national savings, and that an orderly development of financial markets was also essential, as were measures designed to reduce the instability in the international financial system, including an increase of resources of international financial institutions so as to enable them to prevent currency and financial crises.

53. Finally, he argued that the problem of unemployment in the industrialized countries could not be solved by erecting new barriers to trade. An open international trading system was in the interest of all countries.

54. The representative of **Spain**, speaking on behalf of the **European Union**, said that conditions were now in place for the most rapid growth in the world economy for some years. In 1994 there had already been an impressive expansion in world trade, and growth in many developing countries had been strong. Prospects for Africa, which had suffered low growth for much of the 1990s, were now much more encouraging. Although unemployment remained high in the European Union, the recovery was under way, inflation was under control and budget deficits were falling.

55. In line with the European Commission's recent work on the causes of, and remedies for, high European unemployment, he agreed with the conclusion of the Trade and Development Report 1995 that neither trade nor technology was the main cause. However, the Report's own explanation in terms of restrictive macroeconomic policies was not convincing either. Rather, structural rigidities in both the labour and product markets were to blame. Neither increased government spending on infrastructure nor protectionism offered solutions, and the policy response must involve a three-pronged approach, which promoted job creation through stable markets, improved competitiveness, and deregulation of labour and product markets.

56. Previous issues of the Report deserved credit for warning about volatile capital flows to developing countries. However, the blame for the adverse consequences of these flows lay as much with policy-makers as with foreign investors. Capital flows were welcome and in general made an important contribution to growth and development. Consequently, any response to financial volatility must avoid capital controls which were inefficient and ineffective, and the proposal in this year's Report for a tax on international capital transactions would not be workable. Instead, it was necessary to rely on more indirect measures to control short-term volatility. Moreover, there were grounds for reasonable optimism about the prospects for the Mexican economy owing to the massive improvement in its external trade balance. More generally, it appeared that the predicted negative impact of the Mexican

crisis on capital flows to developing countries had been exaggerated. Foreign direct investment in particular continued to be an encouraging feature of international capital flows to developing countries.

57. A final issue raised by this year's Report was the historically high real interest rates. Although this had many causes, the primary factor appeared to be excessive public sector borrowing. However, the proposal for a wealth tax to address this problem would result in a loss of confidence and a worsening of overall economic performance. By way of a more general observation, he said that the Report devoted too much attention to economic problems in the industrialized countries and too little to the issues of trade and development facing developing countries.

58. The representative of the **International Monetary Fund** (IMF) presented a positive assessment of the longer-term economic prospects for the world economy where relatively robust growth and subdued inflation could provide an excellent platform for tackling outstanding problems such as high unemployment and excessive budget deficits in the industrial countries and the weak performance of some African economies. Moreover, with the establishment of WTO, the institutional framework for a more open world economy had been secured. The Trade and Development Report was right, however, to single out unemployment as a continuing concern for policy-makers, and its proposal to tackle unemployment through a multiple approach on the supply and demand sides deserved careful consideration.

59. Adjustment pressures and structural reforms in an increasingly open world economy produced not only growth and convergence but also dislocations as the adoption of new technologies, labour shedding and stagnant wages came to characterize internationally competing industries. This year's Report suggested that the best way to tackle these problems was through more expansionary measures on the demand side, and particularly an increase in investment through a lowering of interest rates. But in proposing such policies the Report appeared to underestimate the strength of three serious constraints: a balance-of-payments constraint as imports were sucked into expanding economies; an inflation constraint, as monetary policy was relaxed to encourage investment; and a government budget constraint associated with already excessive levels of public debt. He noted that the Report proposed a one-time capital levy to reduce government debt and thus give greater latitude to fiscal policies. But owing to the profound and unpredictable consequences of such a levy on financial markets, no government would willingly pursue such a proposal. Similarly, the use of employment subsidies to bolster job creation, which was also proposed in the Report, would add to budgetary pressures at a time when governments were fighting to contain or to reduce budget deficits. Unfortunately the stubborn and intractable nature of structural unemployment must be tackled through more prosaic measures at the microeconomic level, including training, the encouragement of labour mobility, the targeting of benefits, and wage flexibility to encourage the employment of the young and the longer-term unemployed.

60. He acknowledged that the Report offered a useful assessment of the recent Mexican financial crisis. During 1994 a number of factors at home and abroad, including domestic policy shortcomings, had exacerbated Mexico's already weak external position, culminating in an abrupt reversal of capital flows.

However, recent figures showed that much of the initial outflow was on the part of residents rather than of foreign investors. At this point it was necessary to draw the right lessons from Mexico's crisis. Three in particular are worth emphasizing. In the first place, now more than ever policy should focus on macroeconomic fundamentals and more responsible management including acceptance of a reduced room for manoeuvre. Secondly, although emerging markets continued to be vulnerable to external developments, external investors were more likely to discriminate on the basis of economic fundamentals. Finally, efforts to restructure external debt were increasingly difficult owing to the broader spectrum of creditors who must reach agreement. The Report's proposal for the use of capital controls as an additional tool of management appeared misconceived. Although there might be short-term reasons for adopting such measures, they were nearly always a source of distortions, as well as being unreliable and inequitable. Controls were all too likely to conceal bad management rather than to strengthen good economic policy.

61. By way of a general conclusion, for developed and developing countries alike, he recommended the wide consensus of macroeconomic prudence and outward orientation, and domestic liberalization in preference to more expansionary and regulatory measures.

62. The representative of the **Organization of African Unity** said that Africa and other developing countries could draw some lessons from the recent experience of speculative short-term capital movements to Latin America, which had proved to be of limited utility there. Economic liberalization, designed to attract foreign capital, was also an important element of the structural adjustment programmes in many African countries. An increasing number of countries in the region were beginning to be perceived as "emerging markets". Various initiatives involving a number of international institutions were currently under way with a view to attracting additional portfolio investment to Africa in line with current orthodox thinking. These activities were all part of efforts to attract private capital flows of all kinds, in response to the stagnation of official resource flows to African countries. However, the Trade and Development Report, as well as the informal presentations of experts, had shown the need for a complete rethinking of such policies. UNCTAD should continue its work in this area, with particular attention to the possible lessons for Africa from the Latin American experience. This could help African Governments to avoid the dangerous effects of private capital inflows.

63. The representative of **Romania** observed that all actors of the world economy were extremely sensitive to the changes resulting from current macroeconomic policies. This was particularly true for developing countries and countries in transition, which had to try to attain economic stability and growth in a global environment that was not always very favourable. While the analysis of Trade and Development Report 1995 provided a stimulating basis for the Board's discussions, the information and conclusions which it contained were susceptible to divergent interpretations. The Report's examination of the forces behind profound changes in economic policies was highly illuminating, as was the emphasis on the linkages between employment policies and interdependence. But he also wished to draw attention to the impact of the implementation of the Uruguay Round, which his Government hoped would

contribute significantly to improved market access, accelerated world economic growth, and a better integration of developing countries and countries in transition into the multilateral trade system.

64. Supplementing the analysis on Central and Eastern Europe made in the Report, he said that the strategy of Romania for attaining macroeconomic stability had begun to achieve some success: GDP had grown by 3.4 per cent in 1994, while exports had grown by almost 23 per cent, and the deficit in the trade balance was four times less than in 1993; and one of the most important successes had been registered in the fight against inflation, which had fallen by a factor of five in comparison with 1993. These positive trends were being reinforced in 1995, forecasts for which pointed to an improved performance for both growth and inflation. His Government was determined to pursue its stabilization policy, to provide further impetus to industrial and agricultural restructuring, and to accelerate privatization. Romania hoped that in this endeavour it could count on the help and technical assistance of the international community, including international organizations such as UNCTAD.

65. The representative of **Argentina** stated that there needed to be a rethinking of strategies regarding developing-country cooperation and development in the light of the realities of today as opposed to those of previous decades, when it had been thought that the situation of the developing countries could be modified through a global programme of cooperation. It was now necessary to rethink the development strategy and the future of UNCTAD. Care must be taken in applying policies commonly put forward to lower unemployment, because wrong signals in the matter of labour flexibility could create painful experiences in developing countries. The message of the Trade and Development Report 1995 was that labour-market flexibility would help to reduce unemployment in the long run but that in the short run measures in this direction could actually create underemployment problems. The conclusions of the reports of ILO and OECD, together with the UNCTAD TDR, showed that the impact of such policies of flexibilization had been different among countries according to the macroeconomic environment that prevailed in those countries. However, caution should also be exercised with respect to the application in developing countries of the Report's recommendation on demand stimulation because of possible spillover into higher inflation and creation of economic imbalances. This thesis should be scrutinized in line with the analysis presented by the representative of IMF. It was obvious that implementation of protectionist trade measures in developed countries would not contribute to a solution of unemployment there, but would rather worsen labour market conditions.

66. He expressed the view that the Report somewhat underestimated the degree of reform undertaken in Latin America as well as differences among reform efforts. Argentina had been successful in reversing the negative growth and high inflation which had existed in the period 1981-1990, and in creating positive growth of 7.9 per cent per year between 1991 and 1994 and low inflation of an average of 4 per cent in 1994. These reforms included a balanced budget, opening up of the economy, and privatizing and deregulating the public and private sectors respectively. The discussion in the Report was about the capacity of this policy to reverse the kind of situation that had

arisen in December 1994. Clearly that was the case in the Argentinian situation, in spite of the comments made in the Report and the doubts that it was now casting over the future.

67. He also questioned some of the statistics in the Report and said that the Argentinian economic model was not as fragile and vulnerable as was suggested there. Regarding low domestic investment rates, the periods cited in the Report - 1984-1989 and 1990-1992 - were not comparable in important respects, first because one period had six years and the other one three years, and second because both periods were affected by hyperinflationary shocks. The outcome would be quite different if one took the period 1991-1994. In the analysis of what the secretariat defined as the vulnerability of the model in the Latin American case, the so-called dependence on short-term capital flows, the figures for the Argentinian case (table 12) which argued a "*net portfolio disinvestment in 1992/1993 of $9 billion*" were wrong. The figure of the World Bank in a report of June 1995 singled out $10 billion of inflow while the TDR talked about $9 billion of outflow. The spread of those figures in a Report that was circulated all over the world was sending a wrong and dangerous signal to the international financial community, because it cast doubts either on the credibility of the secretariat figures or on the real situation in Argentina. This statement was confirmed by figures of the national source *Caja de Valores Argentina*, which showed a growth of $6.4 billion in the last three quarters of 1993. In relation to the Report's statement that 50 per cent of the growth of Argentinian exports in 1995 went to the Brazilian market, the recent data, which showed a 45.4 per cent increase in the first seven months, confirmed that only $3.5 billion of $12.4 billion were destined to MERCOSUR, which also included Paraguay and Uruguay. Therefore it seemed difficult to maintain that today more than 25 per cent of Argentinian exports were going to Brazil. However, stability had been restored by the reduction of the fiscal deficit via spending cuts and tax increases and by the safety net for bank deposits introduced by the central bank to stem the withdrawal of funds from the banking system.

68. In relation to the statement on page 90 of the Report, the main question for Argentina was how much unemployment would be needed to improve competitiveness, given that it had excluded the possibility of using what was normally the most potent instrument of policy to that end. In this regard he made three comments. First, there is effectively a high level of unemployment due to different reasons, but basically as a consequence of the reforms, such as the deregulation process, privatization, and the transformation of the productive structure. As in the Chilean case, this process would certainly be reversed soon because the fundamental macroeconomics were right and there was a strong investment process. Second, the recommendation of devaluation as the only option - for a country that had come from inflation rates of 3.5 per cent in the past and had reached the present level of only 4 per cent, that had grown at an annual rate of almost 8 per cent in the last four years with a projection of 3 per cent in spite of the Mexican crisis, with reserves of $14 billion and exports growing at an annual average of 45 per cent, was a mistake not only from an economic point of view but also from a political one. Third, the main impact of the Mexican crisis was more a fiscal one than an outflow of capitals. To reverse the situation, the Government had adopted a package of measures (reduction of salaries, raised VAT, and acceleration of the privatization of remaining public utilities). Simultaneously, a safety

net for bank deposits had been introduced by the central bank to stem the withdrawal of funds from the banking system. As a consequence of this, the inflation rate was kept below 4 per cent, and simultaneously the deposits of the banking system that had fallen from $45.4 billion (November 1994) to $37.6 billion (April 1995) had recovered, being now at a level of $42 billion. At this stage it could be confirmed that the vulnerability of the model in case of external crisis had not been proved by reality.

69. In this regard, economic success stemmed directly from the implementation of the convertibility plan which prohibited money creation when not backed by foreign currency, and thereby maintained a constant parity between the peso and the United States dollar, and which prevented the central bank from lending or advancing funds to the Government. In relation to affirmations made in previous TDRs about exchange-rate appreciation and current account deficits, the success of the above-mentioned policies proved that those affirmations were wrong. This policy was the only one available after 40 years of an annual average inflation of 40 per cent and two hyperinflationary shocks. This success had produced an inflow to the country of capital from the Argentines of about $25 or $30 billion, allowing Argentina to grow and, at the same time, to gain access to capital markets at a level equivalent to that of many developed countries.

70. The representative of **Bolivia** recalled that his country had completed 10 years of structural adjustment and the opening-up of the economy to private initiative. Some success had been achieved in controlling public spending, in the elimination of hyperinflation, and in initiating the process of economic recovery. Bolivia was an example for Latin America in terms of its control over macroeconomic variables, but his country was not satisfied with the continuing high rate of unemployment. He noted that inflation, which had reached the level of 27,000 per cent per annum, has now fallen to 8 per cent, a figure accompanied by economic growth at 4 per cent.

71. Unemployment could be resolved only by fully utilizing the new modalities of free trade within the framework of the World Trade Organization. Free trade would enable greater production and exports, and encourage the creation of jobs through export diversification. Attracting foreign investment and the transfer of technology required a well-defined legal system and social stability. Capitalization of the main public enterprises had produced significant economic benefits for Bolivia.

72. Globalization of the world economy was closely linked to the international flow of finance and investment. In recent years strenuous efforts had been made to open markets to capital flows. It was therefore ironic to introduce the theme of controlling and regulating international financial flows at a time when it was necessary to attract large amounts of capital to promote trade and development. Focus on this theme had intensified as a result of the financial crisis facing some banks and the repercussions of the Mexican crisis. Recent capital flows were different from capital inflows into Latin America during the 1970s in that they were not in the form of bank loans or bilateral aid. In large part, the new flows consisted of investments by mutual funds, pension funds and insurance companies.

73. With the passing of the debt crisis of the 1980s, Latin America had once again become attractive to foreign portfolio investors. This was due to the fact that interest rates in the United States and other industrial countries had fallen significantly during the 1990s, while rates had remained high in emerging markets. Bolivia had not been affected by the recent financial crisis, as it had no financial market. On the contrary, the capitalization of public enterprises had made possible a rapid increase in foreign direct investment. However, social stability in Bolivia had been affected by the problem of drugs trafficking, and such stability was a prerequisite for foreign investment. Since the inflow of foreign capital was essential for economic expansion, decisive international action was needed to control the activities of drug traffickers. This problem originated beyond the frontiers of his country in the demand of consumers and in the easy access to the chemicals that were indispensable for the production of drugs. Bolivia had proposed a meeting of countries affected by the production, trade and consumption of drugs.

74. The representative of **Switzerland** stated that interdependence was associated with the globalization of markets, which should benefit all countries in an equitable way. At the ninth session of the Conference, the role of UNCTAD would need to be defined so as to enable it to assist developing countries and economies in transition in integrating into the world trade system. For Switzerland the main message of the Trade and Development Report 1995 was that it was not trade which was causing unemployment in developed economies; on the contrary, trade contributed to job creation in both North and South. Thus unemployment must be fought by means other than recourse to trade barriers. However, his delegation would have liked the analysis in the Report to be more focused on development. He wondered whether it was in UNCTAD's interest to devote its limited resources to the problems of the North, when these were already analysed in the OECD and in the developed countries themselves.

75. Switzerland did not agree with the solution put forward in the Report to deal with the North's unemployment problem. In particular, Switzerland questioned the view that unemployment in industrialized countries was the result of restrictive monetary policies. Rather it was caused by structural rigidities which prevented economies from adjusting to the new environment of globalization and the liberalization of markets. Volatility of capital flows seemed more a response to inadequate economic policy and poor fundamentals than the consequence of speculation. Rather than trying to cure symptoms, policy should be directed at causes. His Government recognized that speculative flows could limit the margin of manoeuvre in macroeconomic policies but considered this favourably as the imposition by the market of discipline on Governments.

76. While accepting the case for a framework of financial regulation to limit systemic risks, he nevertheless doubted whether it was necessary to go as far as taxing capital flows. Switzerland considered the "Tobin tax" to be an unrealistic proposal both because of practical difficulties and because it was unlikely to be accepted by all financial centres - and such acceptance was a precondition for its successful implementation. As for a one-off tax on

wealth to reduce public debt, Switzerland believed that it would have an adverse effect on the trust that investors and citizens had in their Governments.

77. Finally, he observed that, if the debates in the Trade and Development Board did not have the political impact they should have, this was mainly due to the late publication of the Trade and Development Report. The submission of the non-English version to policy-makers was excessively delayed. Even the English version was available only four weeks before the session of the Board. The Report should be made available in all languages at least two, or preferably three, months before the Board met. This meant that the main subject of the Report should be decided at least one year earlier. Switzerland supported the proposal made by the Latin American and Caribbean Group countries to revise the structure of the Report, in particular their suggestion for the inclusion of a conclusion with suggestions for UNCTAD's future activities. The debate on the Report would be more meaningful if it focused on one issue defined by member States in accordance with their needs and expectations.

78. The representative of **Pakistan** said that the processes of globalization and liberalization had created greater interdependence among countries, with the South dependent upon the North for capital, technology and its export markets, and the North dependent on the South for labour, raw materials and likewise export markets. They had also raised issues relating to sustainable development and the stability of economic growth in developing countries. One should distinguish between two groups of developing countries. A number of these countries had succeeded in attaining high growth rates, reducing poverty and achieving significant industrial and technological development. Such countries had enjoyed substantial access to the markets of industrial countries and financial resources as well as technology transfer in growth industries, either directly or through long-term foreign investment. A large number of developing countries, however, had experienced slow growth, limited access to industrial country markets, finance and technology, and many of them had registered high population growth rates which had exacerbated social difficulties. The least developed countries in particular had experienced low or negative growth due to deteriorating terms of trade, reduced development assistance, increasing debt burdens, drought and desertification, and political turbulence.

79. Trade had been recognized as the engine of growth but it depended on effective market access. Therefore, developing countries required access to markets in both industrial and East Asian countries, including removal of existing protectionist measures in developed economies in sectors where developing countries had a comparative advantage. Continued protectionism in certain sectors of the developed economies - i.e. agriculture and textiles etc. - was responsible for higher prices for the consumers and increased taxes to pay the subsidies in the developed countries and lower growth rates for the developing countries. The effects of regional trade blocs should be carefully monitored; commodity price stabilization and compensatory arrangements should be implemented; and solutions should be found for the debt problems of severely indebted developing countries. It was regrettable to note that the flow of ODA to developing countries in many cases had declined. In particular, operational levels of assistance of institutions under the

United Nations auspices had registered major declines. The capacity of developing countries to control short-term capital movements and to insulate exchange-rate management and the conduct of monetary and fiscal policies from international financial volatility should be improved. Furthermore, free movement of natural persons should be encouraged. Freer movement of natural persons would mean a more efficient global work environment.

80. In the context of the reality of interdependence, international cooperation in the formulation and implementation of economic policies of both the developed and developing countries needed to be reinforced to improve their relevance, consistency and effectiveness. The suggestions made in the Synthesis Paper by the Ad Hoc Working Group of the General Assembly on an Agenda for Development might be given due consideration in this regard. The creation of a global economy was based on the presumption that there were no exclusive clubs either in terms of the North and the South or the East and the West. UNCTAD could play a major role be creating a new framework for development cooperation within the international community.

81. The representative of **Bulgaria** said that his country's experience with economic reforms confirmed most of the findings of the Trade and Development Report 1995 for other countries. As far as international trade and employment in the advanced countries was concerned, the impact of the development of the countries in transition was similar to that of the developing countries. Financial stability was also of crucial importance for the transition economies. Owing to the deflationary effects from five years of economic transformation, pressure for protectionism was currently growing in Bulgaria. Therefore economic and trade policy were directed at achieving external balance through export-oriented industrialization. The reform process had further advanced in Bulgaria, and the country had made substantial efforts to integrate in the European and world economic structures. However, United Nations trade sanctions against the Former Republic of Yugoslavia were having adverse economic effects on the whole Balkan region. They were severely exacerbating the economic crisis, depressing production, and reducing employment in the neighbouring countries by hindering communication and transport, distorting trade, discouraging foreign investment, and stimulating black markets, illegal trade and international crime. The direct and indirect losses from sanctions were difficult to calculate precisely, but they were enormous compared to those resulting from tariff and non-tariff barriers to trade. The populations of countries which were not consulted on the imposition of such sanctions had to pay a price that was as high as that for the targeted country. The UNCTAD secretariat should therefore deal with the trade-related effects of such political measures when preparing its economic studies.

82. The representative of **India** said that UNCTAD, as the primary economic organization in the United Nations system, played a central role in the integrated treatment of development. The Trade and Development Board, as its executive and policy-making organ, provided a unique forum for addressing issues of interdependence and the brevity of this session should not be a precedent for the future.

83. The past decade had been marked by the removal of economic barriers, but also by increasing volatility of capital flows and exchange-rate instability. Renewed North-South cooperation and new mechanisms to stabilize capital flows were thus required in order to maximize the benefits of globalization and liberalization for developing countries. According to a recent OECD study, structural dislocation in the developed countries brought about by competition from low-wage countries was losing importance as the share of low-skill industries in total manufacturing employment in the OECD countries was decreasing. FDI flows to developing countries were small in relation to OECD savings and did not divert productive investment from OECD countries. The costs for consumers and workers of protecting jobs by trade restrictions were extremely high as developed and developing countries lost the benefits of their comparative advantage. The creation of more jobs in the North and the South required higher savings, the new creation of SDRs, and sound macroeconomic policies. She felt that the Trade and Development Report 1995 did not throw any light on the deep-seated problem of unemployment and underemployment in the South, which was closely linked with poverty. In India alone, the number of unemployed was close to that of all developed countries combined. Higher labour standards could only be applied and enforced in a small part of the economies of developing countries. The priority in these countries was employment generation, provision of social infrastructure, and the acceleration of growth. UNCTAD should look in particular at the development of small and medium-sized enterprises, which contributed significantly to higher living standards, local capital formation and productivity growth.

84. In India, growth had accelerated in recent years, led by broad-based industrial expansion. Exports of both goods and services were growing fast, but there were still problems with the fiscal deficit, inflationary pressure and inadequate infrastructure. Economic policy was now focused on social problems and poverty alleviation.

85. She considered that UNCTAD should study alternative ways of development, within the broad parameters accepted by most developing countries, reinvigorate its work on policies concerning the transfer of technology, and reactivate the Committee on Preferences. UNCTAD should be a forum for consensus-building on issues of trade and economic policy before they became the subject of negotiations in WTO or elsewhere, and it should analyse a number of suggested topics for eventual discussion in the WTO framework. This would help many developing countries to participate in international negotiations in a more meaningful manner.

86. The representative of the **Islamic Republic of Iran** stated that the challenges facing the global economy should incite the international community to explore new paradigms for interdependence. UNCTAD should provide assistance to developing countries in enhancing economic interdependence, taking their specific conditions into consideration. While the North had emerged from recession, developing countries were still suffering from inflation and unemployment. Threatened on the one hand by protectionist tendencies, globalization was also hindered by poverty. UNCTAD and other United Nations bodies should also undertake projects with development benefits at the global and regional levels.

87. He endorsed the view of the Trade and Development Report 1995 that attribution of unemployment in the North to exports from the South was incorrect and divisive, since it might lead to actions by the North which could damage the WTO Agreements. Globalization provided new trading opportunities for the North. The great bulk of exports from the South was the result of the growing access of multinationals to international markets. Concerns about the scale of the flow of the indigenous manufactures from the South to the North and their effects upon unemployment in the North were unfounded and should be separated from the side-effects of global operations of the North-based entities and major players in international markets. Elements pertaining to the globalization and liberalization process which had gained momentum since the 1980s and expanded the North's global reach in terms of market access and low-cost resources (land, labour and raw materials) should have been incorporated into the international community's judgements. The Uruguay Round had strengthened the drive for liberalization but should also integrate developing countries into its multilateral framework. He added that his country provided access corridors for the land-locked Central Asian countries, and intended to expand these corridors and other facilities, taking into account all socio-economic, environmental and technical parameters. UNCTAD's capacity to contribute to this process should be increased.

88. Finally he drew attention to the need for reform of the Common Fund for Commodities which was partly financed by his country and OPEC.

89. The representative of **Cuba** said that there were increasing disparities in economic growth between the different regions of the developing world. It was too simplistic and even dangerous to attribute unemployment and low wages in the industrial countries to the liberalization of international trade and investment. The eligibility criteria of the Paris Club were limiting the possibility of many developing countries to renegotiate their external debt. In order to meet their debt-service obligations, developing countries had to take measures to increase their export earnings. He also considered that financial derivatives had been only of limited use for many developing countries and economies in transition. To be able to make better use of futures, as well as forward and options markets, the developing countries needed financial and technological resources and adequate training. UNCTAD could be of great help in this respect.

90. New mechanisms were required in order to compensate the developing countries for the deterioration of special treatment resulting from the Uruguay Round. Cuba was facing unilateral coercive trade restrictions which ran counter to the rules and principles governing international trade. The country was currently undergoing a process of economic transformation and was aiming to increase the contribution of foreign capital to its economic activity.

91. Finally, he said that increased interdependence among countries and the different economic sectors required policy coordination among all countries - a process from which none should be excluded. Priority should be given to the

solution of the severe problems of the developing countries, which would also benefit developed ones. UNCTAD could and should play an important role in the process of globalization, and should therefore be strengthened at UNCTAD IX.

92. The spokesman for the **African Group** (Côte d'Ivoire) commented favourably on the Trade and Development Report 1995, in general. He regretted, however, that no special mention had been made of the many problems facing Africa, especially as this continent would soon be hosting UNCTAD IX. Encouragingly, African countries had recently demonstrated their willingness to take often unpopular steps to surmount their economic problems. Although several Governments had implemented wide-ranging economic and political reforms with a degree of success, African economies remained extremely fragile. Thus it was important for UNCTAD to orient its research more towards finding lasting solutions to the economic and social problems facing Africa.

93. The representative of the **Russian Federation** expressed special interest in the coverage in the Trade and Development Report 1995 of new issues such as financial crises, debt and the relationship between employment and international trade. However, earlier distribution of the Report and its publication in all United Nations languages would have given more time for analysis of the contents. He particularly appreciated the discussion of international financial flows in relation to the Mexican crisis, and stressed the importance of State control over financial flows since these frequently included a large speculative component. While IMF now accepted the desirability of public control over short-term capital flows, UNCTAD had gone further and stressed the importance also of control over long-term capital flows. The crash of Barings Bank necessitated global rethinking of policies on financial futures. He drew attention to UNCTAD's discussion on avoiding financial crashes in the context of the Group of 7's appeal to improve coordination in prudential regulation. Creation of financial markets to attract foreign capital was an artificial step conducive to speculation and would have a negative influence on the integrity of the world financial system.

94. With reference to UNCTAD's recommendations on the external debt of the developing countries to official creditors and international organizations, he noted that the idea of selling a part of IMF gold in this context had not been supported by the Group of 7. He stressed the importance of the analysis of the position of the Russian Federation both as a creditor and a debtor. He supported the view that the solution to the problem of unemployment should not involve the pursuit of protectionist measures. He also noted that the Report limited its coverage to unemployment in the North. Moreover, issues such as the impact of conversion and of cuts in military expenditure on unemployment were also not reflected in its analysis. Furthermore, the Report had paid disproportionate attention to developed market economies and the coverage of transition economies was insufficient.

95. Turning to the state of reform in the Russian Federation, he said that the establishment of market mechanisms through price and trade liberalization, convertibility, a unified exchange rate for the rouble and a massive programme of privatization now covering two thirds of GDP were its main achievements so far. There were also encouraging signs of financial stabilization.

A relatively narrow band for exchange-rate fluctuations had been established. Further consolidation of market institutions and stimulation of both national and foreign investment were the next stages of the reform. His country was also interested in full integration into the international trading system. Accession to WTO would be an important stage in this respect.

96. The representative of **Australia** said that the Trade and Development Report 1995 offered stimulating perspectives on a range of issues underlying interdependence, in particular those involving linkages between development, international financial flows, trade liberalization, sustained growth, and employment. She requested that in future the Report be issued earlier, so that the capitals would have more time to consider it before the meeting of the Board.

97. Referring to the Australian perspective on employment, she explained that structural reforms had played a crucial role in Australia's continued employment growth. Normal cyclical recovery could not address all of Australia's unemployment problems. Expansion of productive capacity was the key to accelerated growth rates. The country had embraced a comprehensive structural adjustment strategy, injecting greater competition into product markets, ensuring more efficient use of the capital stock, improving labour-market flexibility, and enhancing labour skills. A particularly important aim of Australia's policy was to get the long-term unemployed back to work. Her country therefore recently introduced a major employment initiative, known as "working nation", largely consisting of a multi-dimensional strategy based on the OECD's job study. This comprehensive four-year programme was aimed at expanding training opportunities and reintegrating the unemployed, particularly the long-term employed, into the workforce. The results in the first year indicated that the programme was realizing initial expectations. Three hundred and eighty thousand new jobs had been created, the unemployment rate had been reduced to 8.2 per cent, and a reduction of 8.3 per cent in the long-term unemployment had been achieved.

98. The representative of the **Third World Network** congratulated the authors of the Trade and Development Report 1995 for maintaining its high reputation for clear and non-dogmatic analysis of the world economy, and for their willingness to put forward innovative policy proposals, even when they contradicted conventional wisdom. While many of its proposals appeared controversial, the Report had a history of offering solutions to outstanding problems which had initially been rejected, only to be accepted subsequently by other international institutions. In this context, he drew special attention to UNCTAD's proposals for developing-country debt relief. A similar process seemed to be under way with regard to proposals on capital controls in developing countries. Although summarily dismissed before the Mexican crisis, such measures were now receiving more careful consideration, most recently by IMF. If such controls were indeed ineffective, the question arose why had OECD countries so frequently had recourse to them. In view of Africa's long-standing difficulties, he suggested that a future Report might address the African continent's economic problems.

99. Noting that globalization was a theme of UNCTAD IX, he expressed the hope that this would be subject to careful analysis such as that found in the Report. Despite impressions to the contrary, globalization was a social process based on the policy choices of Governments and the strategic actions of firms. Globalization should not be made an alibi for policy failures at national and international levels. Furthermore, it should be asked whether globalization was forcing developing countries to exchange limited efficiency gains for a new form of colonial subjugation.

100. In conclusion, he drew attention to the activities of newly emerging grass-roots movements in the developing world, which deserved a fuller hearing from policy makers at all levels.

101. The representative of **Slovakia** noted that in Central and East European countries, many important problems remained to be solved, so that attention should continue to focus on the transition process. It was essential to maintain or, better still, to increase assistance to these countries to facilitate this process. The restructuring process in Slovakia in 1994 and the first half of 1995 pointed to his country's capacity to solve the problems confronting it. Restructuring for countries in transition involved not only changes in production but also the promotion of exports with high value added and the strengthening of links with countries inside and outside the region. The generally favourable movements of Slovakia's macroeconomic indices in the recent past had been due to the revival of industrial production and of services, including the banking and financial sector, and to the growth of foreign trade. The statistics also reflected the positive impact of the private sector on economic growth. Expressing his conviction that the secretariat and the intergovernmental machinery of UNCTAD could provide pragmatic assistance to Slovakia on policy matters, he stated that his country would participate actively in the preparations for UNCTAD IX.

102. The representative of the **International Federation of Free Trade Unions** (ICFTU) said that today's globalizing world was having a major impact on the lives of workers and families. Global competition was intensifying, bringing a new level of insecurity to developed economies, growing income inequality within and between countries, and increased poverty to developing countries. Gross violations of trade union rights continued, as well as failure to recognize social and labour rights such as those contained in the conventions of the ILO.

103. The Trade and Development Report 1995 brought into sharp focus the alarming features of the world economy, and made some constructive proposals and suggestions for consideration by the international community. In the light of the crippling effect of multilateral debt on developing countries noted in this year's Report, he reiterated the ICFTU's call for writing off the debt of developing countries. It was regrettable that UNCTAD's repeated warnings that the surge of capital flows to Latin America were bound to peter out had not been heeded before the Mexican crisis. Reform of the international financial system was overdue. The ICFTU supported calls for a foreign-exchange tax to be placed on short-term speculation, with the revenues used to boost aid to developing countries, as well as better monitoring of fiscal and monetary policies in major deficit and surplus countries, and better coordination of policies for growth.

104. The United Nations had a long-standing commitment to the objectives of full employment and higher labour standards, reaffirmed recently at the World Social Summit in Copenhagen. The ICFTU believed it was possible through dialogue and debate to find a way forward to achieve the twin objectives of an open trading system and respect for human rights in the workplace. Remedying the scourge of unemployment could not be left to market forces. Despite increasing labour market flexibility over the past decade, the pace of employment creation had remained low.

105. The **Director of the Global Interdependence Division**, responding to points raised during the debate on interdependence, acknowledged that documents should be made available to delegations six weeks prior to the start of the meeting and that the distribution of the Trade and Development Report had been delayed this year. As for the request voiced by some delegations that the TDR be made available in all official languages some months prior to the autumn session of the Board, he pointed out that this raised complex problems that required careful consideration. Concerning the suggestion that policy recommendations put forward in the Report should be assembled in one place, and that adequate follow-up of the recommendations should be pursued, he pointed out that the Overview did summarize the Report's policy recommendations and that the secretariat carried out activities which followed up on these recommendations, an example of which was the further work being done on the Asian development experience - a major subject in the 1994 Report. With respect to the alleged unevenness in the coverage of subjects in the Report, he said that another United Nations publication, the World Economic and Social Survey, contained more balanced coverage of major socio-economic developments in all countries. The Report by contrast was more thematic in nature, and dealt more extensively with particular topics relating to specific regions and countries: for example, Africa in 1993, East Asia in 1994, and Latin America in 1995.

106. Concerning the outlook for the world economy, he said that the Report's pessimism reflected a deteriorating world economic environment which had also led to mid-year downward adjustments by other organizations of their forecasts for growth. On unemployment, he drew special attention to the following points: firstly, that flexibility on the supply side was a necessary but not a sufficient condition for reducing unemployment; secondly, that the solution required increased aggregate demand and that investment was an essential component of this stimulus; thirdly, that interest rates needed to be lowered over the long term; and, fourthly, that there should be a better balance between measures directed at the avoidance of inflation and deflation. Concerning Latin America, he agreed that medium- and long-term prospects for the region were bright despite current problems. The secretariat had focused on issues that still remained to be resolved so that these prospects might be realized.

107. Responding to issues raised by the representative of Argentina, he said that the figure for net portfolio investment in table 12 of the Report was taken from the IMF publication International Financial Statistics (row 77bbd of the data for the international transactions of Argentina), and reflected the Fund's own revision earlier in 1995. This source had been used since it contained figures estimated on the basis of standard, internationally agreed

categories, thus facilitating comparisons among countries. The time periods used in the Report for comparison of external capital inflows and domestic investment were not central to its main message, which was that the ratio of investment to GDP had been lower in the recent period - characterized by large net capital inflows - than in the late 1980s when Argentina had been making net capital payments abroad. On the issue of the direction of Argentina's exports in the first quarter of 1995 (cf. first paragraph on page 92 of the report), he acknowledged that an error had been made: the Report should read "... in that period, almost one half of the increase in Argentina's exports went to Brazil", instead of "... in that period, almost one half of Argentina's exports were to Brazil".

108. Finally, concerning capital controls he welcomed the view expressed by the IMF representative that direct measures to influence capital flows could be useful. This represented an important shift in the Fund staff's stance on this issue.

109. The representative of **Argentina** thanked the Director of the Global Interdependence Division for his comments and for the secretariat's investigations regarding the figures queried by Argentina. He remained disappointed with the reply concerning figures in the sections of the Report dealing with Argentina. The section beginning on page 90 of the Report was capable of having an adverse effect on the thinking of the international community regarding Argentina. He regretted that the secretariat had not made any comment about the wrong political advice implied in this paragraph. With regard to the figures in the Report, he noted that the US$ 9 billion in net portfolio disinvestment in 1993 mentioned in table 12, a figure taken from IMF's International Financial Statistics, was accompanied by a large overall net inflow on capital account according to statistics of ECLAC. These statistics were quite clear and avoided any misunderstanding, expressing a net inflow in portfolio investment of more than $18 billion in 1993. In this context, he also drew attention to the fall in yield spreads on Argentina's external bond issues in 1993 (which was documented in table 11 of the Report), and to large inflows of equity capital into the country in that year. He pointed out that the drop of the yield spread from 423 to 271 in the case of private bonds between the first half and the second half of 1993, and the drop from 549 to 365 in the case of public bonds in the same period, reflected in the same report of the secretariat (table 11), could only happen in a context of net inflow of portfolio investment. This reinforced the argument in the sense that it had been impossible to have an outflow of net portfolio investment in that period.

110. The **Director of the Global Interdependence Division** agreed that there had been a substantial net inflow on capital account into Argentina in 1993, but said that, with regard to the flows in the form of net portfolio investment, the UNCTAD secretariat had simply followed the IMF. As for the reporting of capital flows to Argentina in the Report, he said that the secretariat recognized that the difference between its own figures and those cited by the Argentinian delegation resulted from differences of methodology in the definition and categorization of financial flows. Therefore, the Trade and Development Report 1995 was to be understood as indicating that, including portfolio investment, Argentina had received a positive net inflow of external finance in 1993.

111. The representative of **Argentina**, responding to the comment made by the Director on net portfolio investment, regretted that the secretariat had not been able to clarify this point in the debate. He emphasized that the document published by ECLAC - which was a United Nations agency - was very precise, stating in English "net portfolio investment" for the year 1993, $18,687 million. He referred the secretariat to page 445 of the Statistical Yearbook for Latin America and the Caribbean, 1994 edition. He said that, on this particular point, he would request the UNCTAD secretariat to issue a corrigendum.

112. The representative of the **Islamic Republic of Iran** observed that the analysis in the Trade and Development Report of unemployment in the North gave the impression that indigenous industries in the South were successfully exporting to the North and thus causing unemployment there. In fact, the recent expansion of exports from the South was to a large extent attributable to firms established through the foreign direct investment of large corporations headquartered in the North. Therefore, it was simplistic to argue that exports from the South had deprived the North of employment opportunities since the direct investment which was the source of such exports reflected the interests of corporations in the North and had generated benefits for them.

Action by the Board

113. The action taken by the Board on agenda item 2 is reported in TD/B/42(1)/19 (Vol.I), section I.B.

Chapter II

SPECIFIC ACTION RELATED TO THE PARTICULAR NEEDS AND PROBLEMS OF LAND-LOCKED DEVELOPING COUNTRIES

(Agenda item 3)

114. For its consideration of agenda item 3, the Board had before it the following documentation:

"Specific actions related to the particular needs and problems of land-locked developing countries" - Note by the UNCTAD secretariat (TD/B/42(1)/13);

"Report of the Second Meeting of Governmental Experts from Developing Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions" (TD/B/42(1)/11-TD/B/LDC/AC.1/7);

"Specific action related to the particular needs and problems of land-locked developing countries: Progress report by the UNCTAD secretariat" (TD/B/42(1)/14).

Consideration in the Sessional Committee

115. The **Director-in-Charge of the Division for Least Developed, Land-locked and Island Developing Countries**, introducing the item, recalled that the Second Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions, which had been held in New York from 19 to 22 June 1995 pursuant to paragraph 10 of General Assembly resolution 48/169, had adopted a "Global Framework for Transit Transport Cooperation between Land-locked and Transit Developing Countries and the Donor Community". The Framework contained a comprehensive account of the issues involved, as well as related recommendations for action to improve transit transport systems.

116. In recent years, land-locked and transit developing countries had embarked on a number of projects and programmes to improve transit transport efficiency. Moreover, a number of initiatives had been taken by Governments to promote bilateral and subregional transit agreements to govern various transit transport operations. The implementation of those agreements, however, remained poor because of inefficient monitoring and enforcement mechanisms. There was also a continued acute shortage of skills in spite of the implementation of a wide range of technical assistance programmes.

117. The New York Meeting had noted that the leading role that Governments sought to play in the coordination of transit traffic adversely affected the efficiency and cost of transit operations. Initiatives had been taken, however, to deregulate transit transport operations and develop a more commercially oriented approach. Those initiatives were nevertheless still at a very nascent stage, and their impact on the overall transit transport performance was peripheral. Further efforts to reduce excessive State control

and surveillance of transit transport operations were urgently required. In that connection, the Framework adopted by the Meeting maintained that the quality of transit services could be improved and their costs reduced through action on the policy front; fundamental policy reforms were required to support a liberalization of trade in transit services and discourage government interventionist policies in the transit transport sector. In a more fundamental, evolutionary and institutional context, the Framework saw ample opportunities for the private sector in various areas of the transit transport sector.

118. The Framework furthermore outlined the role of external assistance in the efforts of land-locked and transit developing countries to improve transit transport systems. In that regard, it recommended inter alia a substantial increase in the flow of financial and technical assistance from all sources and existing mechanisms, including the private sector. It also highlighted some of the key priority areas for donor support.

119. The Framework underscored the need to support international organizations, particularly UNCTAD and the regional economic commissions, in expanding technical assistance programmes designed to assist the implementation of activities agreed upon by land-locked and transit developing countries in support of greater transit transport efficiency. It also recommended the establishment of consultative groups in order to ensure the effective implementation of its recommendations. UNCTAD and the regional commissions were called upon to play a catalytic role in providing substantive and organizational support to such groups.

120. The representative of **Mongolia** stressed the important role that UNCTAD continued to play in focusing the attention of the international community on the particular problems of the land-locked countries; UNCTAD was the only organization in the United Nations system which undertook activities on behalf of land-locked developing countries. In that connection, the "Global Framework for Transit Transport Cooperation between Land-locked and Transit Developing Countries and the Donor Community" served as a solid basis for establishing effective and self-sustaining transit transport systems. The tripartite nature of the Framework was important, as it not only promoted more effective cooperation between land-locked and transit developing countries, but also encouraged a more active and supportive role on the part of the donor community. Mongolia was ready to take concrete actions in implementation of the recommendations of the Framework and, as a priority matter, was considering the possibility of adhering to existing international instruments in the field of international transport. It would soon ratify the United Nations Convention on the Law of the Sea.

121. His Government attached particular importance to the creation of a market-oriented commercial environment in the development of transit infrastructure and was encouraging the more active participation of the private sector in the transit-transport industry.

122. Finally, he expressed the appreciation of his Government to donor countries and international organizations for their contribution to the development and improvement of the efficiency and capability of transport systems in Mongolia.

123. The representative of **Afghanistan** said that the geopolitical changes that had taken place during the 1990s gave his country a key role to play in its region. With the accession to independence of the Central Asian countries, Afghanistan had itself become a transit country as well. The North-South route linked the newly independent countries to the sea, through Afghanistan, and the East-West route linked them to Europe. His Government considered that the development of regional trade required close cooperation between the countries concerned, based on mutual respect and consideration for the legitimate interests of each State. He reiterated his delegation's full support for the recommendations of the Second Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions held in New York. Finally, with regard to the deterioration of Afghanistan's road infrastructure due to years of war, he called upon the international community to assist his country in its efforts to rebuild its infrastructure.

124. The representative of **Spain**, speaking on behalf of the **European Union**, commended the UNCTAD secretariat for its report on specific action related to the particular needs and problems of land-locked developing countries (TD/B/42(1)/14). The world was undergoing an unprecedented degree of globalization, as reflected in the theme of UNCTAD IX, and it was clear that developing countries with difficult access to the sea faced severe limitations in their trade and development efforts.

125. The comments and recommendations of the Symposium on Land-locked and Transit Developing Countries and the Second Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions deserved serious consideration. The solutions to transit problems were to be sought primarily through cooperation between the land-locked and transit countries, and the prerequisite for such cooperation would be that the land-locked countries lived in peace and harmony with their transit neighbours. The European Union recognized the difficulties of land-locked developing countries, as could be seen from the Lomé Convention. Nevertheless, it was hesitant to recognize a category of countries exclusively on the basis of geographical position. Lack of development formed the basis for providing development assistance, and in that respect the least developed countries had priority.

126. UNCTAD had done some good work on the problems faced by the land-locked countries. The European Union, which had actively participated in the New York meeting, would continue to participate constructively in current and future discussions on the subject.

127. The representative of **Nepal** recalled that UNCTAD, as the only body in the United Nations system to undertake activities related to land-locked developing countries, had facilitated dialogue and cooperation between land-locked countries, their transit neighbours and the donor community. The Global Framework for Transit Transport Cooperation between Land-locked and Transit Developing Countries and the Donor Community was a milestone in that regard. The main thrust of the new strategy proposed in the Framework was the need for strengthened institutional arrangements to monitor the implementation

of agreed cooperative arrangements between land-locked and transit developing countries, as well as the need to develop policies that would encourage competition in transit-transport industries and services and enhance the role of the private sector.

128. Economic globalization and liberalization provided both opportunities and challenges to all countries. However, it exposed the exports of land-locked developing countries, and in particular the least developed among them, such as his country, to tougher competition.

129. The forthcoming meeting on the Mid-term Global Review of the Implementation of the Programme of Action for LDCs for the 1990s and UNCTAD IX would offer opportunities to focus further on the problems of land-locked developing countries.

130. Nepal faced numerous operational problems in its transit transport, but such issues had been and could be resolved bilaterally. The improvement of physical infrastructure, however, required additional support from donor countries. UNCTAD for its part could provide support through the development and implementation of a harmonized system of modalities, procedures and documentation that would help both land-locked and transit developing countries. In that connection, his delegation called for the provision of additional resources to UNCTAD and the regional economic commissions in order to enable them to provide the necessary advisory services in the field of transit transport.

131. The representative of **China** welcomed the Global Framework for Transit Transport Cooperation between Land-locked and Transit Developing Countries and the Donor Community. The development of transit transportation posed numerous problems, including the need for heavy capital outlays in both land-locked and transit countries. Cooperation between transit and land-locked countries was a critical factor for the development and sustenance of cost-effective transit transportation. However, because of their financial constraints, the countries concerned needed increased financial and technical support from the donor community and multilateral financial institutions in order to strengthen their cooperation, improve their economic performance and enable them to participate fully in the economic globalization process.

132. China had extended assistance to its neighbouring land-locked and other countries and would continue to do so in the future. China also had regions and provinces which were remote from markets and faced difficulties similar to those experienced by land-locked countries, and China looked forward to cooperating with its neighbouring countries in that respect.

133. The representative of **Pakistan** said that his country occupied a strategic geographical location which made it a major transit country for Asia. Pakistan had always played a constructive role and provided transit facilities to its land-locked neighbours, at times at the expense of its own economic interests. In that connection, he expressed his country's continued willingness to contribute to the development and expansion of transit trade

and welcomed the recommendations contained in the Global Framework. The principles underlying those recommendations should guide future efforts, and special consideration should be given to the principle of mutual benefit for both land-locked and transit countries, the need for a mechanism to effectively control the diversion of cargo in transit, and most importantly the poor state of infrastructure in many transit developing countries. He pointed out the need for improved administrative machinery and more transit facilities in order to implement the recommendations set forth in the Global Framework. Substantial resources would be needed to build, maintain and overhaul the required infrastructure, and the donor community should provide assistance to that end. Finally, he emphasized that his country would not compromise on the principle of non-interference in matters falling within the jurisdiction of each individual State.

134. The representative of the **UNCTAD secretariat** said that the conclusions and recommendations in the Global Framework for Transit Transport Cooperation would provide a very useful basis for the future work of UNCTAD on behalf of land-locked and transit developing countries. The UNCTAD secretariat would undertake the necessary measures to carry out its role in the effective implementation of the recommendations of the Global Framework.

Action by the Sessional Committee

135. At its third meeting, on 14 September 1995, the Sessional Committee took note of the reports contained in documents TD/B/42(1)/11-TD/B/LDC/AC.1/7 and TD/B/42(1)/14, endorsed the conclusions and recommendations of the Global Framework for Transit Transport Cooperation between Land-locked and Transit Developing Countries and the Donor Community contained in the report of the Second Meeting of Governmental Experts from Land-locked and Transit Developing Countries and Representatives of Donor Countries, Financial and Development Institutions (TD/B/42(1)/11-TD/B/LDC/AC.1/7) and decided to transmit that report, as well as the progress report by the UNCTAD secretariat on specific action related to the particular needs and problems of land-locked developing countries (TD/B/42(1)/14) and the comments thereon, to the General Assembly for further appropriate action.

Action by the Board

136. The action taken by the Board on agenda item 3 is reported in TD/B/42(1)/19 (vol. I), section I.C.

Chapter III

UNCTAD'S ASSISTANCE TO THE PALESTINIAN PEOPLE

(Agenda item 4)

137. For its consideration of this item, the Board had before it the following documentation:

> "Developments in the economy of the occupied Palestinian territory: report by the UNCTAD secretariat" (TD/B/42(1)/8).

Consideration in the Sessional Committee

138. The **Chief of the Special Economic Unit**, in introducing the item, indicated that while legislative mandates continued to guide the work of the secretariat on the issue under consideration, the content and thrust of the work had evolved to take into account new conditions and to enhance its impact. The new policy environment presented a range of opportunities for the revival of the Palestinian economy. Agreements concluded since the signing of the Declaration of Principles constituted the basis for the establishment of appropriate institutional infrastructures with capacities to formulate and implement policies and measures aimed at promoting economic activities in the interim period. Increasing Palestinian-Arab trade and cooperation helped to consolidate the process of integrating the Palestinian economy as a distinct element in regional development efforts. The achievements to date of the Middle East peace process served as the only concrete basis on which to build the Palestinian economy within a framework of peaceful cooperation with Israel and Arab neighbours.

139. Keen international interest in the political and economic developments in the region had prompted vigorous donor involvement to bolster Palestinian economic and social development efforts. However, the progress made towards establishing the institutional and physical infrastructure for the active involvement of the public and private sector in the economy, though notable, fell short of expectations, which appeared to have been overly optimistic. Nevertheless, as the Palestinian Authority and the local economy continued to demonstrate increasing capacities, undisbursed commitments by the international community in 1994 and pledges for 1995 should make a clear contribution towards the revival of the Palestinian economy. He noted that despite the improving policy environment, events on the ground continued to bear heavily on economic performance. Measures introduced by Israel on security grounds, especially the repeated closures of the Gaza Strip and the West Bank, had an adverse impact on the Palestinian economy.

140. The international programme of aid was largely focused on rehabilitation of infrastructures, and the rejuvenation of the economy was generally conceived to be the obligation of the private sector, in terms of both capitalization and management. Accordingly, private investment flows were expected to grow significantly following the Israel-Palestine Accords. Despite some indications of growing interest by Palestinian and Arab investors, the volume of new private investment had been small during the last two years, except for private housing and construction activities.

Nevertheless, convinced that the future held promise, entrepreneurs had begun to prepare the necessary formalities to proceed with investments once conditions were appropriate. For the time being investors appeared to be awaiting the extension of Palestinian authority over the rest of the West Bank. Improvement of the investment climate also called for a range of reforms in macroeconomic and trade policies, as well as upgrading of the proficiency of a range of public and private sector institutions. Moreover, the ability of the economy to absorb substantial amounts of investment was heavily contingent upon major structural reform of the economy.

141. The intersectoral research project, initiated by the UNCTAD secretariat in 1990, had investigated the prospects for sustained development of the Palestinian economy up to the year 2010. The technical analysis, along with policy proposals reflecting a set of priorities at the macroeconomic and sectoral levels, should help in the elaboration of objectives for the rehabilitation and restructuring of the economy with a view to absorbing the surplus labour force, diversifying trade, achieving an adequate rate of growth in income and ensuring its equal distribution among regions. Achieving these necessitated articulation of a reconstruction programme along with appropriate policies, reform of the legal framework affecting the economy, creation of efficient public institutions to regulate and provide support to the private sector, and a programme for improving the productivity of human resources.

142. Following the formulation of the proposed programme of technical cooperation in support of Palestinian trade, finance and related services, consultations had been held with the Palestinian Authority regarding its priorities, scope and orientation of activities and implementation modalities. The programme was designed to contribute towards the realization of six interrelated objectives. A range of activities, carried out through the rendering of advisory services, organization of training programmes and workshops in the field and short-term stationing of experts in critical areas, was envisaged for the achievement of these objectives. Preliminary estimates indicated a total programme budget of around $3.5 million. The proposed programme of technical cooperation activities had been submitted for the approval of Palestine and the Palestinian Authority. It would subsequently be presented to potential bilateral and multilateral sources to seek their contributions. In the meantime, the Palestinian Authority had requested the UNCTAD secretariat, earlier in 1995, to initiate action on an urgent basis regarding some priority issues covered under the proposed programme. Despite resource limitations, the secretariat had been able to field several missions in mid-1995 to extend immediate advisory services to the Palestinian Authority in some of the areas.

143. He concluded by stating that the secretariat was ready to play an effective role in the international programme of assistance to the Palestinian people. It thus looked forward to the Board's guidance and support for its proposed efforts to secure the resources needed for the implementation of the programme of technical cooperation outlined above.

144. The representative of **Egypt** said that deliberations on this item came at an important time, when increasing international cooperation was called for to lay the basis for the Palestinian economy and for peace in the region. The signing between Israel and Palestine of the Declaration of Principles in

September 1993, the Cairo Agreement in May 1994 and subsequent accords reflected the parties' spirit of cooperation and their desire for peace, and constituted a basis for a just and comprehensive peace throughout the Middle East. The assumption by the Palestinian Authority of responsibilities in Gaza and Jericho and the commencement of operation of Palestinian institutions in various spheres marked the beginning of progress and stability for the Palestinian people. He expressed appreciation to the UNCTAD secretariat for the report it had prepared on developments in the economy of the occupied Palestinian territory and for its previous efforts and studies on this important subject. Great efforts had gone into preparing the report and into monitoring rapid recent developments which could bear positively on the Palestinian economy.

145. He noted that the report had revealed the significant gaps that existed in official statistics on Palestinian economic performance, a situation that gave rise to concern. He welcomed the secretariat's proposal to assist the Palestinian Authority in this regard, especially in the area of trade information and statistics, and called on other agencies of the United Nations to extend assistance in their respective fields of competence. He also welcomed the report's account of the positive developments in the Palestinian economy, in particular the existence of a well defined and agreed framework for elaboration of economic policy and the improved conditions for private investment.

146. He reaffirmed his full and continuing support for the Palestinian Authority's efforts to develop the Palestinian economy, and he accorded special significance to cooperation with the Palestinian Authority in the field of institution-building, training and human resource development, as attested to by recent tripartite cooperation with the Government of Japan and the United Nations Development Programme to provide training in Egypt to Palestinians in building and construction skills.

147. Much more remained to be done to help the Palestinian Authority overcome the obstacles it was still facing. Areas on which attention should focus would include the need to reform the legal framework affecting economic activities, support for infrastructural projects that generated new employment opportunities, the needs of the private sector with respect to access to modern market and related information networks, the negative impact of closures of the occupied territory - a policy measure which should not be resorted to, and the problem of high unemployment and the need to give priority to projects which provided productive job opportunities. He called for stepped-up efforts to resolve these and other problems which hampered Palestinian economic development, pointing to the importance of removing all obstacles to the smooth flow of aid for Palestinian reconstruction pledged by the international donor community in October 1993.

148. In concluding, he expressed his full support for the programme of technical assistance prepared by the UNCTAD secretariat in coordination with the Palestinian Authority, which reflected needs in the areas of trade, finance and transport, and he called for the provision of the necessary funds to implement the programme.

149. The representative of **Norway** said that in recent years member countries had become highly aware of and interested in UNCTAD's assistance to the Palestinian people. It was important that the Middle East peace process be supported by the international community, and UNCTAD had proven its relevance in this respect. It was essential that UNCTAD's contribution serve two purposes: assisting in consolidating the peace process; and ensuring long-term sustainable social and economic development in the region. Such a dual approach was essential, as both components were interdependent. It was also crucial for international assistance to the Palestinian people to be properly coordinated so as to ensure optimal utilization of scarce resources and avoid duplication of efforts. The United Nations Special Coordinator in the occupied Palestinian territory was well equipped for this task.

150. Referring to UNCTAD's programme of technical cooperation activities in support of the Palestinian economy, he noted activities aimed at promoting the role of the private sector in the Palestinian economy. The World Bank and IMF were already engaged in some of these areas. Similarly, in areas such as the management of financial flows, tariff regimes and customs administration, both the Palestinian and Israeli authorities had developed cooperation with the World Bank and IMF. As regards the development of a commercial sea port in Gaza Strip, a number of countries were also involved. When UNCTAD embarked upon the implementation of related activities under its own programme, it was crucial that these be complementary to those of other agencies and coordinated through UNSCO. His delegation was pleased to note that the UNCTAD secretariat had intensified its cooperation with UNSCO, and in its dialogue with the latter, the UNCTAD secretariat could elaborate a clear set of priorities for its assistance to the Palestinian people, concentrating on activities within its mandate and where it had comparative advantage. Such cooperation and coordination with agencies like the World Bank and IMF would enhance the impact of UNCTAD's contribution and relevance to the efforts of the Palestinian Authority. It was in fact a challenge for UNCTAD, both in the field and in general, to ensure that its high-quality analysis and assessments were used by local authorities.

151. The representative of **Israel** said that the Trade and Development Board was addressing this topic for the second time since the signing and implementation of the Declaration of Principles and the Agreement on the Gaza Strip and Jericho Area. Negotiations on extending self-governing arrangements were nearly complete, and all the problems connected with this agreement were almost resolved. He was optimistic that the completed agreement would be signed in the coming weeks, after which the next phase of Palestinian elections and redeployment of Israeli forces would begin. Meanwhile, almost all spheres of authority had been transferred to the Palestinian Authority under the terms of the early empowerment agreement.

152. The Palestinian Authority now exercised full powers in Gaza and Jericho, and it had taken major steps, with the assistance of the international community, to commence building the economy of those areas. Israel had made both funds and expertise available to the Palestinian Authority and attached the utmost importance to the success of the Palestinians in developing their economy. The financing of this development would be provided by assistance given or promised by donor countries, following their pledges made in October 1993 of $2.4 billion to be contributed over the period 1994-1998.

Considerable contributions had been pledged by a number of countries, including Israel. He noted, however, that two years of the five-year period had already passed, and as could be seen from the figures for actual disbursements to date, the great bulk of the sum initially promised had not yet been forthcoming. He hoped that the urgently needed sums would be made available as soon as possible.

153. For its part, Israel had taken tangible steps to facilitate the development of the Palestinian economy, notwithstanding the border closures that Israel had been compelled to impose for short periods owing to terrorist attacks. Israel and the Palestinian Authority had agreed that five industrial parks should be established in the West Bank and Gaza Strip, and intensive planning was under way to bring this to fruition as soon as possible. The establishment of these parks would provide a major boost to the economy of the areas. On a more immediate level, steps had been taken to speed the flow of trucks between Gaza and Israel in both directions, as well as at Rafah crossing point and at the Allenby Bridge. The Joint Economic Committee established under the Oslo Agreement continued to be active. At its most recent meeting, a wide-ranging discussion had been held on the Palestinian economy, including exports from Gaza to the West Bank, Egypt, Jordan and Israel.

154. At the international level, efforts were continuing. An IMF team would soon be preparing a Palestinian budgetary forecast for 1996; the World Bank had started preparing a survey of the public investment structure and its requirements; a joint World Bank-IMF-Palestinian-Israeli team of experts would be carrying out a general survey of the economic situation in the territories, with special attention to four major sectors; and the World Bank had been asked to prepare proposals for the funding of major infrastructural projects.

155. The most visible signs of economic development in Gaza were the massive building projects, which had led to a marked increase in the number of employed persons. However, since much of this was the result of transitory projects, it would be necessary to take additional steps to stimulate the private sector. The present transitional phase should last long enough to allow for the resolution of the long-term unemployment problem through steps such as increasing the areas devoted to agriculture and developing service and processing skills for export.

156. He concluded by noting the improved morale in the Gaza area as a result of economic activities. This was only a start, and further progress depended on the continuation of the peace process, the success of which would both affect and be affected by economic progress of the areas.

157. The representative of **Japan** commended the UNCTAD secretariat for its useful report on current developments in the Palestinian economy and for its cooperation aimed at improving the situation. Japan could not over-estimate the importance of the Middle East peace process, and support for the Palestinian people was essential to ensure the success of this historic initiative. The Israel-Palestine Agreement of 13 September 1993 was a significant contribution to the peace process, but the gains realized so far had not been entirely shared by the Palestinian people. It was imperative to

transform these gains into actual economic and social development in the West Bank and Gaza Strip which could be clearly recognized by the Palestinian people.

158. With regard to Japan's policy of support for the Palestinian people and the Middle East peace process, the Prime Minister of Japan was currently visiting the region for discussions with the heads of Government of the countries directly involved in the Middle East peace process. In this context, preparations were under way for dispatching personnel to the United Nations Disengagement Observer Force (UNDOF), hopefully in February 1996, and for providing both financial and personnel support to the surveillance group for elections in the Palestinian territory to be held in the near future. These initiatives of the Japanese Government were accompanied by large-scale economic assistance programmes. Immediately after the signing of the Israel-Palestine Accord, Japan had made a commitment to the two-year economic assistance package of US$ 200 million. It had been able to disburse around US$ 150 million, representing the largest disbursement from a single donor. Roughly one third of this amount was allocated to meeting the running expenses of the Palestinian Authority. Within the framework of the peace process, Japan was also participating particularly in the areas of environment and tourism.

159. All these initiatives derived from the deep commitment of Japan to the peace and development of the region. Judging by the current situation in the West Bank and Gaza Strip, more efforts were needed to put the peace process firmly in place. The Japanese Government was ready to extend further cooperation in various forms to the Palestinian people in partnership within the international community.

160. The representative of **Spain**, speaking on behalf of the **European Union**, said that the UNCTAD secretariat's report provided a useful analysis of the situation of the Palestinian economy, notably in the fields of private investment and infrastructure. The report provided a realistic account of perspectives for Palestinian economic cooperation with neighbouring countries and of the implementation of international development programmes. However, the presentation of UNCTAD's programme on this subject should be less general and more targeted to technical cooperation. He encouraged continuation of the dialogue between UNCTAD and the United Nations Special Coordinator in the Occupied Territories. He added that UNCTAD IX would further reflect on the future task and role of UNCTAD in assisting the Palestinian people.

161. The European Union had always participated in the development dimension of the Middle East peace process, especially through the five multilateral working groups. It had also adopted its programme of "Joint Action to Support the Middle East Peace Process" in April 1994 and was today the major donor in Gaza and the West Bank. He was pleased to acknowledge that, since the application of the Tripartite Action Plan between Israel, the Palestinian Authority and donors, coordination on aid issues had improved. Assistance to the Palestinian people would continue with the active support of the European Union, with emphasis on technical cooperation and regular assessment through liaison between beneficiaries and donors. The Palestinian Authority should be encouraged to modernize its administration and make it more transparent. This included building a modern statistical system and a competent public

administration able to control budgetary expenditures and reduce budget deficits. In conclusion, he affirmed that the European Union would continue to cooperate in favour of a successful conclusion to the Middle East peace process and of economic development in Gaza and the West Bank.

162. The representative of **China** said that during the period under review, the UNCTAD secretariat had made unremitting efforts to assist the Palestinian people to overcome their difficult economic situation. The secretariat had carried out a great deal of work on economic performance in the West Bank and Gaza Strip and in preparing the proposed programme of technical assistance for the benefit of the Palestinian economy. The secretariat had also established close consultations with the Palestinian Authority. These developments were most welcome and worthy of support.

163. Great strides had been made in establishing the Palestinian Authority and in the gradual extension of its powers. This was the result of the long struggle of the Palestinian and Arab peoples and of the wise choice of leaders of Palestine, Israel and Arab States to solve their differences through peaceful methods. These efforts had helped establish the basis for peace. China had always supported the struggle of the Palestinian and Arab peoples to attain their rights, including their national right to self-determination and to achieve peace through negotiations. He concluded by calling on all to support this approach, with the aim of hopefully achieving a full, comprehensive and just peace in the region as a whole.

164. The representative of **Cyprus** said that the Middle East had witnessed historic and encouraging developments towards the achievement of a comprehensive, just and lasting settlement based on the relevant Security Council resolutions. The States of the region were inspired by an ardent desire for lasting peace and the hope that existing problems could be resolved so that the process of economic development could start. He supported the peace process, which would lead to a new Middle East characterized by new challenges and opportunities, increased cooperation and prosperity for all the peoples of the area.

165. In support of efforts to rebuild the Palestinian autonomous areas, Cyprus had in July 1995 presented an aid package providing, among other things, for reconstruction of two medical centres in Gaza, an extensive scholarship programme for the training of Palestinian personnel in a wide range of fields, as well as consultancy and technical assistance in all those fields. The package also included assistance from the Cyprus Development Bank towards the establishment of a Palestinian investment bank. This gesture had a double symbolism, as it expressed the traditional friendship between the Cyprus and Palestinian peoples and constituted a concrete manifestation of the progress in the peace process and of the need for substantial steps to improve the standard of living of the Palestinian people. In the same spirit, Cyprus had recently joined the multilateral working group on regional economic development, in which it hoped to play a positive role.

166. The representative of the **Arab Labour Organization** said that the secretariat's report exhibited sound analysis and a comprehensive approach with regard to immediate and future economic perspectives in the occupied

Palestinian territory. He fully endorsed the observations made by the representative of Egypt and the points raised by the representative of Norway with regard to intensified coordination between international organizations.

167. UNCTAD had spared no effort in providing assistance to the Palestinian people, especially the advisory services recently extended to the Palestinian national authority. These efforts, which involved a new approach focusing on operational aspects in addition to research, analysis and publication of sectoral studies, should be continued and encouraged by the Board, especially at this crucial stage in the struggle of the Palestinian people to establish their independent State, in accordance with their legitimate rights.

168. The report examined the obstacles facing the task of building a Palestinian economy capable of sustained growth. However, it had not mentioned the major factor underlying the sufferings of the Palestinian people, namely the problems of settlements, expropriation of land and water resources. UNCTAD might consider examination of these issues to be within the purview of other agencies, or to be premature. However, without the resolution of these issues in a manner that guaranteed the rights of the Palestinian people, no economic or social development would be successful, much less sustainable. Settlement activities, which had recently been intensified, especially in and around Arab Jerusalem, and violent acts carried out by Israeli settlers served to cut the ties that bound the Palestinian people to their land and deprive them of the chance to survive and to exercise their sovereignty and authority. The Palestinian people must regain their basic rights, especially self-determination.

169. The secretariat's report had correctly highlighted the serious problem of unemployment, which had spread in the occupied Palestinian territory. It was ironic that the social, economic and labour situation of the Palestinian people had actually deteriorated in the past two years since the signing of the peace accords. The repeated closure of the occupied territory was not for security reasons in the strict sense, but rather constituted a rigorous application of the internationally prohibited measure of collective punishment. The repetition of this absurd measure had caused innumerable problems affecting all aspects of Palestinians' daily life, unemployment had risen to between 38 and 55 per cent and the Palestinian economy had lost some $600 million, a sum which was equivalent to the total international aid pledged for 1995. He hoped that Israel would not resort to this measure of collective punishment again. Meanwhile, the Arab Labour Organization was following closely the problem of unemployment and related developments affecting Palestinian workers with the International Labour Organization, the competent forum for treating these issues.

170. He concluded by calling for coordinated international action to support and complement the efforts of the nascent Palestinian national authority to revive the Palestinian economy which had been weakened by the legacy of problems caused by occupation. The Palestinian economy could regain its vitality through an end to Israeli occupation and settlement, and through its integration within the Arab regional economy in line with its natural, human, economic, historic and cultural complementarities.

171. The representative of **Israel** said he regretted the tone of some references in the statement of the Arab Labour Organization which were anachronistic and reminiscent of times past. They were inappropriate at a time when peace negotiations were taking place. As regards the reference made to violence, since the Oslo agreement over 100 Israelis had been killed in terrorist actions carried out by Arab opponents of the peace process. Israel regretted the occasional measures such as the closure of territories as much as anyone, but if the representative of the Arab Labour Organization wished such measures to end, then he should address his remarks to organizations such as Hamas and Islamic Jihad so as to discourage them from the kind of activities that they were undertaking. If terrorism were to be brought to an end, the peace process could proceed faster and more effectively and reach the satisfactory conclusion that all would like to see.

172. In his concluding remarks, the **Chief of the Special Economic Unit** expressed his appreciation for the statements made on the item, taking note of the points that had implications for the ongoing and future work of the secretariat on the Palestinian economy. The delegation of Norway had referred to UNCTAD's programme of technical cooperation and the need for coordination with other agencies. In that connection, he reiterated that the programme of technical cooperation activities in support of Palestinian trade, finance and investment, shipping and multimodal transport was based on the outcome of the major intersectoral research and investigation project which the secretariat had initiated following its approval by the General Assembly. The project, which entailed the preparation of in-depth studies on almost 25 economic and social sectors, was being carried out in close consultation with the agencies of the United Nations system.

173. Although the World Bank and IMF had declined to be associated with the intersectoral project, the numerous sectoral studies issued under the project had also been made available to them as early as 1992. This included the quantitative framework prepared by the UNCTAD secretariat investigating development prospects for the Palestinian economy up to the year 2010, which had been supplied to the World Bank following its designation by the sponsors of the Middle East Peace Conference in Madrid to investigate prospects for regional economic cooperation. As for the programme of technical cooperation, there were certainly a number of activities which would be of interest to other agencies of the United Nations system. These would be closely coordinated with similar efforts of these agencies as and when the programme was unfolded for implementation. To this effect, the programme would be brought to the attention of all bilateral and multilateral sources upon its approval by the Palestinian Authority.

174. As regards coordination, the UNCTAD secretariat had strived from the outset of its work on the Palestinian economy towards the establishment of a central mechanism within the United Nations system to coordinate the efforts of all those concerned. It had welcomed the decision of the Secretary-General of the United Nations to designate a Special Coordinator in the occupied Palestinian territory, and immediate measures had been taken to cooperate with the Special Coordinator and extend assistance towards the establishment of a mechanism to ensure coordination of United Nations activities in the Palestinian territory, and this cooperative arrangement would be further developed. The secretariat expected this to ensure coordination not only with

the agencies of the United Nations system active in the Palestinian territory but also with the relevant institutions of the Palestinian Authority itself. In conclusion, he reaffirmed the secretariat's intention to further elaborate the issue of developing Palestinian foreign trade statistics in its proposed programme of technical assistance, in light of its importance to the Palestinian Authority and concerned parties and international organizations.

Action by the Sessional Committee

175. At its 3rd meeting, on 14 September 1995, the Sessional Committee took note of the report by the secretariat, as contained in document TD/B/42(1)/8, including the proposed programme of technical assistance activities in Part III of the report, and, in accordance with General Assembly resolution 47/445, decided to annex a summary of the discussions under the item to the report of the Board to the General Assembly.

Action by the Board

176. The action taken by the Board on agenda item 4 is reported in TD/B/42(1)/19 (Vol.I), section I.C.

Chapter IV

PREPARATIONS FOR THE NINTH SESSION OF THE CONFERENCE

(Agenda item 5)

177. For its consideration of this agenda item, the Board had before it the following documents:

Provisional agenda for the ninth session of the Conference (TD/B/42(1)/L.1)

Provisional agenda for the eighteenth special session of the Trade and Development Board (11-15 December 1995) (TD/B/42(1)/L.3).

178. Opening this item at the 866th plenary meeting, on 18 September 1995, the President extended, on behalf of all members of the Board, a warm welcome to Mr. Tokyo Sexwale, Premier of the Gauteng Province of South Africa, to Mr. Jacob Selebi, Ambassador and Permanent Representative of South Africa, and to all the members of the delegation from the South African capital.

Teleconference between Johannesburg, New York, Addis Ababa and Geneva

179. The plenary was suspended to allow for the holding of a teleconference which was addressed by the following personalities:

- Mr. Nelson Mandela, President of the Republic of South Africa (from Johannesburg)

- Mr. Tokyo Sexwale, Premier of Gauteng Province, South Africa (from Geneva)

- Mr. Boutros Boutros-Ghali, Secretary-General of the United Nations (from New York)

- Mr. Duri Mohamed, President of the Addis Ababa University on behalf of Mr. Melese Zenawi, Prime Minister of Ethiopia and Chairman of the Organization of African Unity (from Addis Ababa)

- Mr. Rubens Ricupero, Secretary-General of UNCTAD (from New York)

- Mr. Trevor Manual, Minister of Trade and Industry of South Africa (from Johannesburg).

180. In the course of his address, Mr. Tokyo Sexwale formally announced the offer by the Government of the Republic of South Africa to host the ninth session of the United Nations Conference on Trade and Development in Midrand from 27 April to 11 May 1996.

Resumption of the plenary meeting

181. The President of the Trade and Development Board expressed the deep gratitude and appreciation of the members of the Board to

President Nelson Mandela, to Mr. Sexwale and to the Government and people of the Republic of South Africa for the generous offer to host the ninth session of the Conference. In this connection, he introduced a draft decision entitled "Date and venue of the ninth session of the United Nations Conference on Trade and Development" (TD/B/42(1)/L.4).

Action by the Board

182. At its 866th plenary meeting, on 18 September 1995, the Trade and Development Board accepted by acclamation the official invitation of the Republic of South Africa to host the ninth session of the United Nations Conference on Trade and Development and adopted the draft decision on the date and venue of the Conference (TD/B/42(1)/L.4)*.

183. Statements of appreciation and gratitude to the South African authorities were made by the spokesman for the African Group (Côte d'Ivoire), the spokesman for the Group of 77 and China (Colombia), the representative of Spain on behalf of the European Union, the spokesman for the Latin American and Caribbean Group (Jamaica), and the spokeswoman for Group B (Sweden).

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* For the decision adopted, see TD/B/42(1)/19 (Vol.I), section I.A, decision 430 (XLII). For other action in connection with agenda item 5, ibid., section I.C.

Chapter V

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

(Agenda item 6)

(a) Report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its twenty-eighth session

184. For its consideration of this item, the Board had before it the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its twenty-eighth session (ITC/AG/XXVIII/150 and Add.1), which had been circulated to the Board under cover of a note by the UNCTAD secretariat (TD/B/42(1)/15).

185. The Chairman of the Joint Advisory Group, H.E. Mr. Haron Siraj (Malaysia), introducing the report, recalled that, at its twenty-eighth session, the Joint Advisory Group had commented on the review of ITC's technical cooperation activities in 1994 based on its annual report. The Group had generally agreed with the orientation presented in the priority-setting review, and had given ITC a mandate to operationalize its stated priorities through restructuring, the redeployment of resources and the design and implementation of work programmes, taking into account a strong geographical orientation and other concerns voiced during the discussions. On the proposal for setting up a Global Trust Fund and a Consultative Committee, a consensus had been reached on a number of points and the Group requested the Chairman of the Joint Advisory Group to hold open-ended consultations on the composition and chairmanship of the Committee. The Group had endorsed the report of the ITC technical meeting in 1994 on the evaluation of the programme element "Import operations and techniques"; it had debated the ITC strategy paper on "Environmental considerations in trade promotion and export development" and endorsed the main purpose of the strategy proposals. Confirmed or possible voluntary contributions to ITC's technical cooperation programme had been announced by Canada, China, Finland, France, Germany, India, Italy, Japan, Netherlands, Norway, Sweden, Switzerland and the United States of America.

186. The representative of **Argentina** expressed his satisfaction on the progress made during the twenty-eighth session of the Joint Advisory Group relating to the setting up of the Global Trust Fund and Consultative Committee. This was a subject of particular importance for the recipients of ITC's technical cooperation activities. In this context he asked the Executive Director of ITC to indicate the action which needed to be taken to make the Global Trust Fund operational.

187. The representative of **Jamaica** expressed his delegation's support for the priorities which had emerged from the Joint Advisory Group's discussions and stated that these broadly corresponded to the needs of developing countries. He called for flexibility in the setting and implementation of priorities and noted that ITC should be in a position to identify countries' priorities to enable it to respond to their needs. His delegation supported the Group's recommendation regarding a strong ITC field presence. He stressed the importance of cooperation between ITC and UNCTAD in connection with the Special Programme for Trade Efficiency; and between ITC and WTO on the follow-up to the Uruguay Round Agreements and especially in the area of market

access. He wished to see this assistance extended to small island and land-locked developing States. He also endorsed the recommendation that ITC should provide assistance to commodity-producing developing countries. Noting the drop in resources available to ITC, he appealed to those countries which had not yet announced contributions to ITC to do so, in order to enable ITC to carry out its mandate. Regarding the Global Trust Fund and Consultative Committee, he hoped that these would be operational as soon as possible and that Group members would be kept informed of the operations of the Fund.

188. The representative of **Mexico** expressed his satisfaction and support to the Executive Director of ITC in relation to the restructuring of the organization. ITC's assistance to developing countries continued to be of utmost importance and he joined other delegations in expressing support for the creation of the Global Trust Fund. As regards the decrease in resources available to ITC, his delegation offered to provide assistance to LDCs through a contribution in kind.

189. The representative of **Cuba** endorsed the suggestion made by the representative of Mexico to provide assistance to LDCs through a contribution in kind.

190. Responding to the statements, the **Executive Director of the International Trade Centre UNCTAD/GATT** agreed on the need to constitute the Global Trust Fund and Consultative Committee as soon as possible. He recognized the importance of coordination between ITC, UNCTAD and WTO and this issue was currently under review in the secretariat. As regards priorities, he agreed on the need for flexibility in setting and implementing priorities. He also thanked the delegations of Mexico and Cuba for their offers of in-kind assistance to ITC and welcomed the opportunity to discuss the subject further.

Action by the Board

191. At its 867th meeting, on 19 September 1995, the Trade and Development Board took note of the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its twenty-eighth session (ITC/AG(XXVIII)/150 and Add.1), which had been circulated to the Board under cover of a note by the UNCTAD secretariat (TD/B/42(1)/15).

(b) Progressive development of the law of international trade: twenty-eighth annual report of the United Nations Commission on International Trade Law

192. At its 868th (closing) meeting, on 20 September 1995, the Trade and Development Board took note of the report of the United Nations Commission on International Trade Law on its twenty-eighth session (A/50/17), which had been circulated to the Board under cover of a note by the UNCTAD secretariat (TD/B/42(1)/16). The Board took note also of the statement made in this connection by the representative of Hungary*.

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* For the summary of the statement by Hungary, see TD/B/42(1)/19 (Vol.I), section II.B.

كيفية الحصول على منشورات الامم المتحدة

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Printed at United Nations, Geneva
GE.96-50076–January 1996–2,640

United Nations publication